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As a rule of thumb, the 12% HST will apply to non-residential sales and leases in the same way the 5% GST now applies. This includes exemptions and input tax credits for GST/HST registrants including tenants and purchasers.

Non-residential property sales

The HST will apply to the sale of non-residential property where both ownership and possession are transferred on or after July 1, 2010.

For the sale of real property, other than housing, the date the agreement of purchase and sale is entered into does not affect the application of the HST.

Example

Your clients entered into a written agreement of purchase and sale in May 2009 for the taxable sale of commercial real property. Possession and ownership don't transfer until July 2010. Do they pay HST on the sale?

Yes, since both ownership and possession transfer after June 2010 the HST applies to the sale.

Non-residential property leases

The HST applies to lease payments due after July 1, 2010. It does not apply to a non-residential lease payment for a lease interval that begins before July 2010 and ends before July 31, 2010.



Leases of non-residential properties that are now exempt under the GST rules will also be exempt under the HST rules. For example, an exempt lease would include a charity that leases real property to a tenant where the

lease is exempt from the GST. Under the HST, the lease of the real property would also be exempt and the charity would not be required to charge or collect the HST.

Leases - Transitional Rules

The HST will apply to non-residential and commercial leases due or prepaid after October 14, 2009 and before May 2010 if the lease or any part it begins on or after July 1, 2010.

Input tax credits for the full amount of the GST/HST paid will be available to buyers and tenants who are GST/HST registrants using the property for commercial activity.

Residential investment property

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

Residential landlords will have increased costs since some goods and services not currently subject to the PST will be subject to the HST. Landlords will not be able to:

- claim input tax credits for expenses such as electricity and maintenance; or
- collect the HST from tenants because owning residential rental property is an exempt activity and landlords can't register for the GST/HST.

REALTOR® services

The HST applies on or after July 1, 2010. It does not apply if all or substantially all (90% or more) of the service is performed before July 1, 2010. GST will still apply before July 1, 2010.

Example

You provide a property management service for 10 hours each month at an hourly rate for the three months ending August 31, 2010. You invoice your client on August 31, 2010 for the entire period. What GST/HST do you charge?

- For the hours charged in June, GST is charged at 5%.
- For the hours worked in July and August, HST is charged at 12%.

Example

Your brokerage leases computers for your staff. The HST applies to lease payments where the lease begins on or after July 1, 2010. If the lease begins before July 1, 2010 and ends before July 31, 2010, the HST does not apply. GST will apply before July 1, 2010.

Parking spaces

- If you rent a parking space, the HST will apply as of July 1, 2010. GST applies before July 1, 2010.
- A commercial parking pass is treated as a lease of non-residential real property under the HST Transitional Rules.

Did you know?

- Your clients who are business owners who sell or lease property will be able to claim input tax credits on the HST paid on REALTOR® fees or commissions.
- If you are a GST registered REALTOR®, you will be automatically registered for the HST.
- Businesses will pay the HST on costs such as office leases, supplies and equipment and will be able to recover some costs by claiming input tax credits.



HST and share prices

As a rule of thumb, the 12% HST will apply to non-residential sales and leases in the same way the 5% GST now applies.

Where a REALTOR® acts as a broker in the sale of a business, it is important to be clear if the sale is of assets or of shares. The buyer will pay the HST when buying assets of a corporation. The buyer will not pay the HST on corporate shares, which are considered financial instruments.

Input tax credit (ITC) restrictions related to the BC HST

Businesses with annual taxable sales in excess of \$10 million and financial institutions will not be able to claim all of their HST input tax credits during a phase-in period, as specified in the tax agreement between Canada and BC.

Restrictions will apply to ITCs related to:

- energy, except where purchased by farms or used to produce goods for sale;
- telecommunication services other than internet access or certain toll-free numbers;
- road vehicles weighing less than 3,000 kg (and parts and certain services) and fuel to power those vehicles; and
- food, beverages and entertainment.

Consult with tax experts if you have questions.

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.

Accounting systems

Begin preparing now by planning your accounting systems to accommodate the new HST rules so they are ready before July 1, 2010. REALTORS® and office staff need to have a good understanding of the new rules.

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.

For information about the PTT: http://www.sbr.gov.bc.ca/individuals/Property_Taxes/Property_Transfer_Tax/ptt.htm

Online resources

For information about the GST/HST phone the Canada Revenue Agency at 1.800.959.8287 or visit: www.realtorlink.ca. Go to Lobbying and Legislation and then Harmonized Sales Tax Resources.

