



Bulletin #1 – HST Advisory

May 2010

On July 1, 2010, 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). Here is updated information, verified by Canada Revenue Agency as of May 21, 2010. This information is in response to questions and comments from members. We greatly appreciate your input. As a rule of thumb, the GST rules that now apply to residential property will also apply under the HST.

BC New Housing Rebate

Your clients may be eligible for a BC New Housing Rebate if they buy, as their 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 priced up to \$525,000 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 BC New Housing Rebate is limited to primary residences. Recreational property not used as a primary residence does not qualify.

Presales

Agreements signed on or before November 18, 2009

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

Agreements signed after November 18, 2009

- If your clients buy a presale property and the agreement is dated after November 18, 2009 and they take ownership and possession **before July 1, 2010**, they will NOT pay the HST and will NOT be eligible for a BC New Housing Rebate. They will pay the GST and may be eligible for a GST rebate.
- If your clients buy a presale property and the agreement is dated **after** November 18, 2009 and they take ownership and possession **on or after July 1, 2010**, they will pay the HST and may be eligible for a BC New Housing Rebate.



Leased land

If your clients buy, as their primary residence a new detached home or duplex together with leased land from a builder for their primary residence, they may be eligible for the BC New Housing Rebate, up to a maximum of \$26,250.

Vacant land

- If your clients buy a lot from an individual (not a developer) who has never used it for business purposes, they will be exempt from paying the HST.
- If your clients buy the lot from an individual who has subdivided it into more than two lots (three or more lots), or from a developer, your clients will pay the 5% GST if the possession date is **before July 1, 2010**, even if the title transfers on or after July 1, 2010. If possession is transferred **after July 1, 2010**, your clients will pay the 12% HST.

If your clients plan to build a home, if the majority (90%) is completed **on or after July 1, 2010**, they will pay the HST and may be eligible for the BC New Housing Rebate.

If your client sells personal use vacant land and the sale is now exempt from the GST, the sale will be exempt from the HST **on or after July 1, 2010**.

These are examples. We strongly advise REALTORS® to consult on the rules for new land sales with the Canada Revenue Agency at **1.800.959.8287**.

New Rental Housing Rebate

To support affordable rental housing, there is a new BC 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 of 71.43% of the provincial portion of the HST to a maximum of \$26,250 per unit priced up to \$525,000. There is a flat rebate of \$26,250 for units priced above \$525,000.

To qualify, the first use of the housing would be occupancy or use by a renter or by the builder as a primary residence 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 the BC New Housing Rebate if they buy a new property which is not their principal residence and they do not rent it.

New rental apartment building

If your clients buy a new rental apartment building and rent all of the units, they will be eligible for a BC 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 1, 2010 and the HST on or after July 1, 2010.

Rental of land

The New Rental Housing Rebate will also be provided to landlords who make an exempt rental of land for residential use, for example they rent out a residential lot or site in a residential trailer park, as a result they would be required to self-assess and pay HST under the self-supply or change-in-use rules. The rebate is 71.43% of the provincial component of the HST paid up to a maximum of \$8,663 (33% x \$26,250) for each lot or site.

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 only 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;
- appliances, insulation, windows and doors;
- residential utility costs, such as hydro, telephone, cable, but excluding natural gas;
- closing costs such as appraisals and inspections;
- moving costs; and
- REALTOR® fees or commissions.

Transitional rules for REALTOR® Commissions and Fees

Where a transaction spans July 1, 2010, the Brokerage or REALTOR® is to calculate the percentage of services provided prior to July 1 and those provided after July 1 and only pay HST on the amount of services provided after July 1, 2010.

This is more favourable than a strict interpretation of Clause 5B of the Multiple Listing Contract, according to Brian Taylor, partner at the law firm of Bull, Houser & Tupper LLP, and should be followed by Brokerages and REALTORS®.

To read Brian Taylor's legal opinion on the Multiple Listing Contract and the HST, please visit www.realtorlink.ca, and go to In the Spotlight and then *HST Advisory Bulletin # 3, Multiple Listing Contract and the HST*.

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.

For information about the PTT, visit:

http://www.sbr.gov.bc.ca/individuals/Property_Taxes/Property_Transfer_Tax/ptt.htm



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.