



RESIDENTIAL

The HST – what your clients need to know

December 2009

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.

New Housing Rebate

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

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

Vacant land

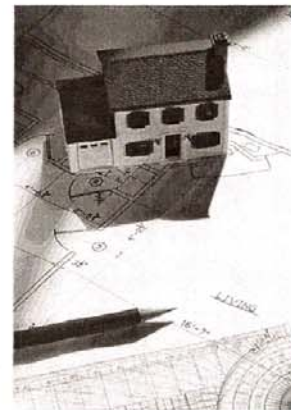
Whether your clients pay the HST depends on who they buy the land from.

- If your clients buy a lot from an individual (not a developer) who has never used it for business purposes, your client 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 2010, even if the title transfers 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 after July 1, 2010, they will pay the HST. They may be able to recover a portion of the HST through the New Housing Rebate.

If your clients 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.

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



Continued overleaf

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.

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.



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.

Transitional rules for REALTOR® Commissions and Fees

The HST will apply to REALTOR® services performed on or after July 1, 2010. If 90% or more of the services are performed before July 1, 2010, the HST will not apply. The GST will still apply before July 1, 2010.

Example: a REALTOR® performs services from May 1, 2010 to July 1, 2010, the property sale closes July 31, 2010 and the commission is due then. Two-thirds of the services were performed before June 30, 2010 and one-third from July 1, 2010 to July 31, 2010. The REALTOR® will charge GST on two-thirds of the amount charged for their services and the HST on the remaining one-third.

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: 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.