



# Harmonization of the B.C. Retail Sales Tax

## New Housing and Transitional Rules

Housing Industry Seminar – September 2009



Canada Revenue  
Agency

Agence du revenu  
du Canada

Canada 

# Agenda

- Application of the harmonized tax to new and substantially renovated housing
- B.C. new housing rebate
- Application of the harmonized tax to new and substantially renovated rental housing
- B.C. new residential rental rebate

# Agenda

- Grandparenting
- Transitional tax adjustment
- Ontario RST Transitional rebate for new housing
- Ontario Builder disclosure requirements
- Next Steps

# Harmonized sales tax

## Sales of new housing

- Harmonized tax would apply to sales of new or substantially renovated housing sold by a builder
- Harmonized tax would apply to all types of housing – single unit houses, condominiums, multiple unit housing
- Exemptions that apply for GST purposes would continue to apply for harmonized tax purposes

# Harmonized sales tax

## Sales of new housing

- Generally, harmonized tax would apply where both ownership and possession of housing transfer on or after July 1, 2010\*
- If either ownership or possession of the housing transfers before July 1, 2010, only GST applies

\* Exception – grandparented sales

# B.C. new housing rebate

- Rebate would be equal to 71.43% of provincial part of harmonized tax paid, to a maximum rebate of \$20,000
- Rebate would be available regardless of purchase price

# B.C. new housing rebate

- Rebate would be available for same types of new housing as currently qualify under the GST:
  - new and substantially renovated houses sold by a builder,
  - owner-built housing,
  - co-op housing,
  - mobile and modular homes

# B.C. new housing rebate

- Rules and conditions for claiming the rebate would be the same as under the GST new housing rebate
- Primary place of residence of purchaser or a relation
- No B.C. new housing rebate for grandparented sales of housing

# B.C. new housing rebate

- Builders would be able to pay or credit the B.C. rebate, same as for the GST new housing rebate
- GST new housing rebate continues to be available on federal part of harmonized tax
- Forms to be available on CRA Web site by July 1, 2010

# B.C. new housing rebate

## Example

- Written agreement of purchase and sale for a newly constructed house entered into in August 2010
- Ownership and possession transfer in October 2010
- Purchaser meets all conditions for claiming a GST new housing rebate
- Consideration for the house is \$400,000

# B.C. new housing rebate

## Example (cont'd)

- Provincial part of harmonized tax paid is:  
\$28,000 ( $\$400,000 \times 7\%$ )
- B.C. new housing rebate is:  
\$20,000 ( $\$28,000 \times 71.43\%$ )
- Federal part of harmonized tax paid is:  
\$20,000 ( $\$400,000 \times 5\%$ )
- GST new housing rebate is \$3,150

# Harmonized sales tax

## Rentals of new housing

- Harmonized tax would apply on a self-supply by a builder-landlord after June 2010
- Self-supply occurs at the later of:
  - When possession or use of housing is given as place of residence under lease, licence or similar arrangement, and
  - When construction or substantial renovation of the housing is substantially complete

# B.C. new residential rental property rebate

- Rebate would be equal to 71.43% of provincial part of harmonized tax paid, to a maximum rebate of \$20,000 per rental unit
- Rebate would be available regardless of purchase price (or FMV for self-supply)

# B.C. new residential rental property rebate

- Rebate would be available for same types of rental housing as under the GST
- Rules and conditions for claiming the rebate would be the same as under the GST
- No B.C. new residential rental rebate for grandfathered sales of rental housing

# Grandparenting

## Sales of new single unit housing

No provincial part of harmonized tax where:

- Written agreement of purchase and sale entered into on or before Announcement Date
- Ownership and possession of housing transfer after June 2010, and
- Purchaser is an individual.

GST still applies

# Grandparenting

## Sales of new condominiums

No provincial part of harmonized tax where:

- Written agreement of purchase and sale entered into on or before Announcement Date
- Ownership and possession of condominium transfer after June 2010, and
- Purchaser is a person.

GST still applies

# Grandparenting Exceptions

Grandparenting rules would not apply to:

- Owner-built housing
- Mobile homes and modular homes
- Duplexes and traditional apartment complexes

# Grandparenting ITCs on building inputs

- Generally, GST/HST registrants would be eligible for ITCs for harmonized tax payable on inputs (with limited exceptions)
- Similarly, GST/HST registrants would be eligible for ITCs for inputs purchased to construct housing sold on a grandparented basis (provincial part of harmonized tax does not apply on sale)

# Grandparenting Example

- Written agreement of purchase and sale for single unit house entered into on or before Announcement Date
- Ownership and possession of the house transfer on July 15, 2010
- B.C. part of harmonized tax would not apply and no B.C. new housing rebate
- GST will apply
- Transitional tax adjustment would apply where the construction is not substantially complete prior to July 2010
- No RST transitional rebate

# Transitional tax adjustment (TTA)

## Single unit houses & condominiums

- Would apply to grandparented sales of single unit houses and residential condominiums whose construction straddles July 1, 2010
- For single unit houses, TTA would be based on consideration payable and degree of completion of the housing on July 1, 2010
- For condominiums, in Ontario, TTA would be 2% of consideration payable

# Transitional tax adjustment (TTA)

- Builder would be required to account for TTA in its net tax calculation on the GST/HST return



# Ontario TTA rates - single unit housing

| Degree of completion on July 1, 2010 | TTA rate as a % of consideration |
|--------------------------------------|----------------------------------|
| < 10%                                | 2.0%                             |
| 10% ≤ and < 25%                      | 1.5%                             |
| 25% ≤ and < 50%                      | 1.0%                             |
| 50% ≤ and < 75%                      | 0.5%                             |
| 75% ≤ and < 90%                      | 0.2%                             |
| ≥ 90%                                | 0%                               |

# Transitional tax adjustment

## Example

- Builder's sale of a single unit house in Ontario is grandparented
- Consideration for the sale is \$450,000
- On July 1, 2010, construction of the house is 85% complete
- What is the TTA amount that must be accounted for in builder's net tax?

# Transitional tax adjustment

## Example – (cont'd)

- Since house is 85% complete, the rate of the TTA as a percentage of consideration is 0.2%.
- Consideration is \$450,000
- TTA is \$900 ( $\$450,000 \times 0.2\%$ )

# RST transitional housing rebate

## New single unit housing and condominiums

- Ontario RST transitional housing rebate would be available for new or substantially renovated housing where:
  - Construction of housing begins prior to July 2010
  - Ownership and possession of housing transfer after June 2010, and
  - Ontario part of harmonized tax is payable on the sale or, for grandparented sales of condominiums, builder pays transitional tax adjustment
- Housing construction must be at least 10% complete on July 1, 2010 to be eligible for the rebate

# RST transitional housing rebate

## New single unit housing and condominiums

- For single unit housing (e.g., detached house, semi-detached, duplex), the purchaser would be the claimant and rebate may be assigned to builder
- For residential condominiums and rental properties, the builder would be the claimant
- No RST transitional housing rebate for mobile homes, modular homes, owner-built homes

# RST transitional housing rebate

## New condominiums

Builder of a new condominium complex may qualify for the rebate where:

- The builder's sale of condominium complex or unit in the complex is not grandfathered (i.e., the harmonized tax applies to the sale) or
- The builder's sale of condominium complex or unit in the complex is grandfathered and the builder pays the transitional tax adjustment on that condominium complex or unit

# RST transitional housing rebate

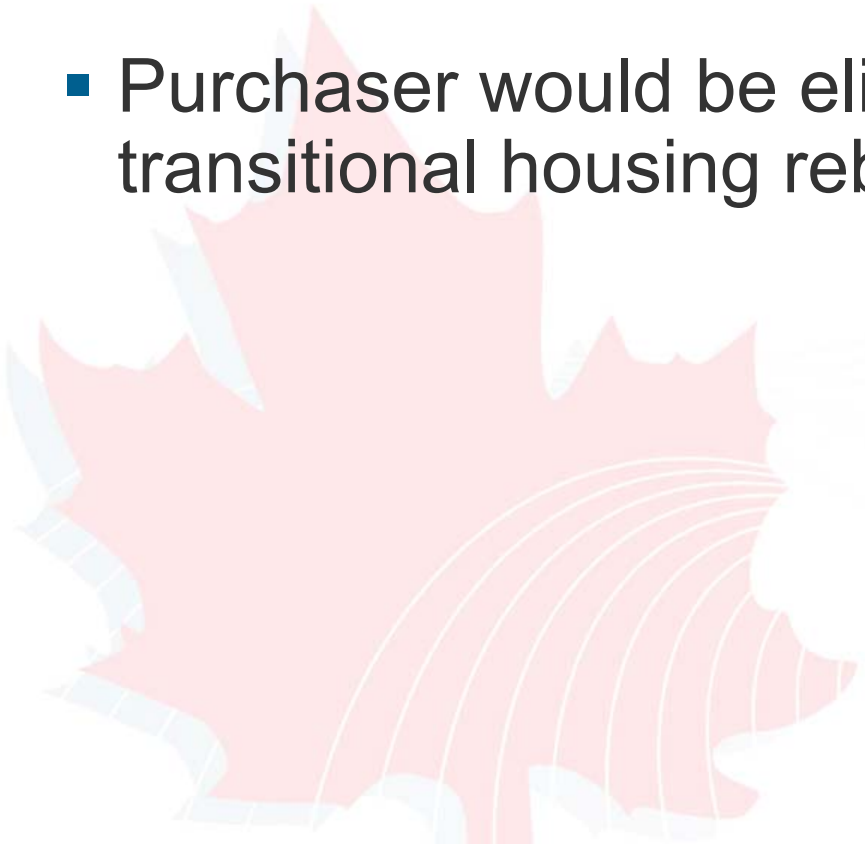
## Example 1

- Written agreement of purchase and sale for a newly constructed detached house in Ontario entered into on August 11, 2009 (i.e., not a grandparented sale of the house)
- Consideration is \$500,000
- Ownership and possession of the house transfer under the agreement in July 2010
- Construction of house is 70% complete on July 1, 2010

# RST transitional housing rebate

## Example 1 – (cont'd)

- Provincial portion of harmonized tax applies to sale of house
- Purchaser would be eligible for the RST transitional housing rebate



# RST transitional housing rebate

## Example 1 – (cont'd)

Rebate would be based on:

- Degree of completion on July 1, 2010, and
- The estimated RST content for the house

# Ontario transitional housing rebate

## Example 1 – (cont'd)

| Degree of completion on July 1, 2010 | % of estimated RST content rebated |
|--------------------------------------|------------------------------------|
| < 10%                                | 0%                                 |
| 10% ≤ and < 25%                      | 25%                                |
| 25% ≤ and < 50%                      | 50%                                |
| 50% ≤ and < 75%                      | 75%                                |
| 75% ≤ and < 90%                      | 90%                                |
| ≥ 90%                                | 100%                               |

# RST transitional housing rebate

## Example 1 – (cont'd)

### Estimated RST content

Choose one of the following 2 methods:

- Prescribed dollar amount per square metre of floor space (floor space method), or
- In Ontario, 2% of the consideration payable on the sale of the house (selling price method)

# RST transitional housing rebate

## Example 1 – (cont'd)

Estimated RST content using the selling price method is:

- \$10,000 (2% of \$500,000)

Ontario RST transitional housing rebate is:

- \$ 7,500 (75% of \$10,000)

# RST transitional housing rebate

## Example 1 – (cont'd)

- Individual purchasers would have the option of obtaining the rebate through the builder or filing an application directly with CRA
- The rebate would be claimed no earlier than the day the harmonized tax becomes payable on the sale of the house and would have to be filed before July 1, 2014

# Builder disclosure requirements

- In Ontario, these requirements apply to written agreements of purchase and sale entered into after June 18, 2009 and before July 1, 2010 for sales of newly constructed or substantially renovated housing

# Builder disclosure requirements

- Builder is required to disclose in the purchase and sale agreement:
  - whether provincial part of harmonized tax applies, and
  - if so, whether the stated price includes provincial portion of the harmonized tax and the Ontario new housing rebate

# Builder disclosure requirements

- If disclosure requirements are not met:
  - stated price in the agreement will be considered to include the provincial portion of the harmonized tax, and
  - purchaser would not be required to pay the provincial portion of harmonized tax in addition to the stated price

# Next Steps

- Publication of information
- Qs and As
  - Notice 244
- Information Sheets
- Revised guides and GST/HST Memoranda Series
- Forms