Residential

REAL ESTATE BOARD OF GREATER VANCOUVER

Information about the new HST/PST housing transitional rules

February 22, 2012 (Revised)

The province will transition back to the Provincial Sales Tax (PST), which will replace the Harmonized Sales Tax (HST), on April 1, 2013. Until then, the province has announced transitional rules for new homes which take effect April 1, 2012.

Note: *This information is current to today, February 22, 2012 and has been verified with the Canada Revenue Agency, HST Branch. However, we have been advised that the information could change depending on HST rulings to come. CRA will be issuing a Q & A document soon which should clarify real estate issues.*

Enhanced New Housing Rebate

Effective April 1, 2012, your clients may be eligible for a provincial enhanced New Housing Rebate if they buy, as their primary residence, priced up to $850,000:

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

Your clients may also be eligible for a provincial New Housing Rebate if they buy a secondary vacation or recreational homes outside the Greater Vancouver and Capital Regional Districts priced up to $850,000.

Buyers of new homes will be eligible for a rebate of 71.43% of the provincial portion of the HST paid on the new home up to a maximum rebate of $42,500. Homes priced at more than $850,000 will be eligible for a flat rebate of $42,500.

HST is payable GST/HST generally becomes payable on the earlier of the day on which ownership is transferred to the recipient and the day on which possession of the property is transferred to the recipient. (This is the day the tax is payable).

Presales

Agreements signed before April 1, 2012, with possession before April 1, 2012 *(Current to April 1, 2012)*

If your clients buy a presale residential property and they have an agreement dated on or before April 1, 2012 and they take ownership or possession before on or before April 1, 2012, they will pay the 12% HST and be eligible for a rebate of up to $26,250 on homes priced to a maximum of $525,000. Homes priced at more than $525,000 are eligible for a flat rebate of $26,250.

Agreements signed before April 1, 2012, with possession before April 1, 2013

If your clients buy a presale residential property and they have an agreement dated on or before April 1, 2012 and they take ownership or possession on or before April 1, 2013, they will pay the 12% HST and be eligible for a rebate of up to $42,500 on homes priced to a maximum of $850,000. Homes priced at more than $850,000 are eligible for a flat rebate of $42,500.

Agreements signed before April 1, 2012, with possession after April 1, 2013

If your clients buy a presale residential property and they have an agreement dated before April 1, 2012 and they take ownership or possession before on or after April 1, 2013, they will not pay the 7% provincial portion of the HST. Instead, buyers will be a temporary transitional provincial tax of 2% on the full house price. This 2% reflects an embedded PST builders pay on materials.

Agreements signed on or after April 1, 2012 and before April 1, 2013, with possession before April 1, 2013 *(This is the transition period)*

If your client buys a presale residential property and they have an agreement dated on or after April 1, 2012 and before April 1, 2013, and they take ownership and possession before April 1, 2013, they will pay the 12% HST and be eligible for a rebate of up to $42,500 on homes priced to a maximum of $850,000. Homes priced at more than $850,000 are eligible for a flat rebate of $42,500.

Agreements signed on or after April 1, 2012, with possession after April 1, 2013

If your client buys a residential property and they have an agreement dated on or after April 1, 2012 but the construction of the home commenced before April 1, 2013, and they take ownership and possession after April 1, 2013, they will not pay the 7% provincial portion of the HST. Instead, buyers will pay a transitional provincial tax of 2% on the full house price until before April 1, 2015. This 2% reflects an embedded PST builders pay on materials.

Agreements signed on or after April 1, 2013, with possession after April 1, 2013

The GST is applicable. The HST will generally cease to apply to sales of real property (including residential real property) if ownership and possession of the property transfer on or after April 1, 2013.

Continued overleaf

The PST will not apply to sales of real property. However, the PST will apply to certain types of housing which, at the time of purchase are tangible personal property (a mobile home purchased without land) and where possession transfers on or after April 1, 2013. The PST will also apply to construction inputs that are used to improve real property on or after April 1, 2013.

Agreements signed on or before November 18, 2009, or construction began before July 1, 2010, with possession on or after April 1, 2013 (Double-straddling, grandparented)

Special transitional rules apply if your client has bought a presale residential property and they have an agreement dated on or before November 18, 2009, or construction began before July 1, 2010 (the HST start date in BC) and for which ownership and possession transfer on or after April 1, 2013 (the HST end date in BC), this is known as a double-straddling home sale. In this situation, your client will pay a 2% transition tax.

Agreements signed after November 18, 2009, or construction began before July 1, 2010, with possession on or after April 1, 2013 (Double-straddling, non-grandparented)

Special transitional rules apply if your client has bought a presale residential property and they have an agreement dated after November 18, 2009, and construction began before July 1, 2010 (the HST start date in BC) and for which ownership and possession transfer on or after April 1, 2013 (the HST end date in BC). This is known as a double-straddling home sale. In this situation, your client will pay a 2% transition tax. However the 2% tax will not apply where construction has been substantially completed before July 1, 2010 and the PST Transitional New Housing Rebate has not been claimed as of February 17, 2012.

Recreational Property

All the same rules apply to recreational property that apply to other residential property. Your clients may be eligible for a provincial enhanced New Housing Rebate if they buy a secondary vacation or recreational home outside Metro Vancouver and Capital Regional Districts priced up to $850,000.

Vacant Land

HST paid on land

For owner-built homes where the HST was paid on the land, the owner may be eligible for a rebate on qualifying construction expenses (including land), up to a maximum of $42,500. There will be no phase-out of this rebate, such that owner-built homes with qualifying construction expenses over $850,000 will qualify for the maximum rebate of $42,500.

No HST paid on land

Where the HST was not paid on the land, the owner will be entitled to a new housing rebate on qualifying construction expenses (which would not include land), up to a maximum rebate amount of $28,475 (for example 67% of $42,500).

Enhanced 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 are eligible for a rebate up to $42,500 on units priced up to $850,000. There is a flat rebate of $42,500 for units priced above $850,000.

The first use of the home must be by a renter of the unit or as a primary residence by the owner for at least one year. Eligible units include:

- a detached, attached, condominium apartment or duplexes, 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 housing, where the land is leased or is a housing cooperative.

If your clients buy a new apartment which is not their principal residence and they don't rent it, for example, if strata bylaws prohibit rentals, or your clients buy a new apartment to use on weekends, the unit is not eligible for the New Rental Housing Rebate.

But, if you have clients who buy a new rental apartment building so long as they rent all of the units, they will be eligible for a New Rental Housing Rebate for each unit up to a maximum rebate of $42,500 per unit.

If your clients build or substantially renovate rental property, they will be required to self-assess and pay the HST on or after April 2012 and before April 1, 2013.

Important Dates

- **November 18, 2009** – Date the transition rules from PST to HST came into effect.
- **July 1, 2010** – Date the HST came into effect in BC.
- **April 1, 2012** – Date the HST to PST transitional rules come into effect. The enhanced HST rebate comes into effect.
- **April 1, 2013** – HST end date. GST on new homes is back in effect.

For More Information

- Please visit: www.pstinbc.ca
- Please read: www.pstinbc.ca/media/2012_housing_rules_FEB.pdf
- Please phone the Canada Revenue Agency HST ruling line at: 1.800.959.8287

We are working with BCREA on a Q&A and related information which will be available as soon as possible.

If you have questions, please contact Harriet Permut, Manager, Government Relations, Real Estate Board of Greater Vancouver: hpermut@rebgv.org

Sources

- BC Ministry of Finance, *Tax Information Notice. HST Notice #12,* February 17, 2012.
- Canada Revenue Agency, HST ruling line at 1.800.959.8287