



Harmonized Sales Tax: Proposed Enhancements to the British Columbia New Housing Rebates

On February 17, 2012, the Government of British Columbia announced its plans to implement enhancements to the existing British Columbia (B.C.) new housing rebates and new residential rental property rebates. The enhanced rebates, which would be administered by the Canada Revenue Agency (CRA), would generally come into effect for new housing on which the HST becomes payable on or after April 1, 2012 and before April 1, 2013.

This info sheet reflects proposed tax changes announced in the Ministry of Finance Tax Information Notice, HST Notice #12, *Enhanced New Housing Rebates and Transitional Rules for the Re-Implementation of British Columbia Provincial Sales Tax*, issued by the Government of British Columbia on February 17, 2012.

Any commentary in this info sheet should not be taken as a statement by the CRA that the proposed changes will be enacted in their current form.

This info sheet provides information about the proposed enhancements to the B.C. new housing rebates for individuals who:

- purchase new housing together with the land, new housing together with leased land, or qualifying shares in a cooperative housing corporation (housing co-op);
- build or substantially renovate, or hire someone else to build or substantially renovate, their own home; or
- buy a new mobile home or floating home.

Information about the proposed enhancements to the B.C. new residential rental property rebates is provided in GST/HST Info Sheet GI-129, *Harmonized Sales Tax: Proposed Enhancements to the British Columbia New Residential Rental Property Rebates*.

The provincial grant for new secondary and recreational homes in areas outside the Capital and Greater Vancouver Regional Districts will be administered by the Government of British Columbia. For information on the provincial grant, contact the B.C. Ministry of Finance toll-free at 1-877-388-4440, or email your questions to CTBTaxQuestions@gov.bc.ca.

Questions on the B.C. first-time new home buyers' bonus should be directed to the Government of B.C., Ministry of Finance toll free at 1-877-387-3332, or questions can be emailed to ITBTaxQuestions@gov.bc.ca.

New housing

The terms new house, new housing, new mobile home, and new floating home used throughout this info sheet refer to a residential complex that is newly constructed or substantially renovated and includes the land and building portions of the housing unless otherwise indicated. Housing that has been substantially renovated is generally given the same treatment under the GST/HST as newly constructed housing. Extensive modifications must have been made to the housing in order to meet the definition of a "substantial renovation" for GST/HST purposes. For a full explanation of the factors to consider in deciding if a substantial renovation has taken place, refer to GST/HST Technical Information Bulletin B-092, *Substantial Renovations and the GST/HST New Housing Rebate*.

Enhanced rebates – effective date

In the case of a B.C. new housing rebate for an owner-built home, the enhanced rebate would be available if the individual qualifies for the existing B.C. new housing rebate of the HST paid on qualifying construction expenses, and if:

- the construction or substantial renovation becomes substantially complete on or after April 1, 2012¹; and
- the rebate application is filed with the CRA on or after April 1, 2012 and within the permitted time limits (for information on the permitted time limits, see the section “Rebate for owner-built home”).

In all other cases, the enhanced rebate would be available where the individual qualifies for the existing B.C. new housing rebate and the HST on the new housing becomes payable on or after April 1, 2012 and before April 1, 2013.

This info sheet does not apply to you if your purchase of new housing, or the applicable deemed purchase of new housing or land, is subject to the HST, but the HST became payable before April 1, 2012.

Also, if your purchase, or the applicable deemed purchase of new housing or land by the builder or landlord, is subject to the GST alone (generally, supplies made after March 2013), this info sheet does not apply to you.

When does the GST/HST become payable?

Housing – purchase from another person

GST/HST generally becomes payable on the purchase of new housing on the earlier of:

- the day that ownership of the property is transferred to the purchaser; and
- the day that possession of the property is transferred to the purchaser under the agreement for the supply.

However, there is a special timing rule that applies to the purchase of a residential condominium unit if possession of the unit is transferred to the purchaser before the condominium complex in which the unit is situated is registered as a condominium. In that case, the GST/HST becomes payable on the earlier of:

- the day ownership of the unit is transferred to the purchaser; and
- the day that is 60 days after the condominium complex is registered as a condominium.

Housing – self-supplies

There are a number of situations where a builder of new housing is considered to have sold and repurchased the housing (made a “self-supply”) and to have both collected and paid the GST/HST (i.e., the GST/HST becomes payable) at the time of the self-supply.

A self-supply of new housing generally occurs at the later of:

- the time construction or substantial renovation of the housing is substantially completed; and
- the time possession or use of the housing is given to an individual who is the first to occupy the housing as a place of residence.

In the case of multiple-unit rental housing (e.g., an apartment building) or an addition to such housing, the self-supply occurs at the later of:

- the time construction or substantial renovation of the housing (or addition) is substantially completed; and
- the time possession or use of a unit in the housing (or addition) is given to an individual who is the first to occupy a unit in the housing (or addition) as a place of residence.

Land

A person may be considered to have paid the GST/HST (i.e., the GST/HST becomes payable) under either the change-in-use rules or the self-supply rules when they begin to use land for residential purposes.

For example, a GST/HST registrant who held land as capital property for use exclusively (90% or more) in commercial activities and who, at a particular time, begins to use the land exclusively for other purposes

¹ For further information on determining when a house becomes substantially complete, see the section entitled “Definitions” in Guide RC4028, *GST/HST New Housing Rebate*

(such as exempt residential activity or other exempt activities) is considered to have sold and repurchased the land, and to have both collected and paid an amount of GST/HST (i.e., the GST/HST becomes payable) at that time.

A person may be considered to have both collected and paid the GST/HST under the self-supply rules (i.e., the GST/HST becomes payable) when they first supply the land on an exempt basis where it will be used as part of a place of residence.

For example, when a site in a residential trailer park is first rented on an exempt basis for a period of at least one month, the landlord is generally considered to have made a taxable self-supply of the entire residential trailer park.

In addition, where a landlord increases the size of an existing residential trailer park and first rents a site in the additional area on an exempt basis for a period of at least one month, the landlord is generally considered to have made a taxable self-supply of the additional land used in the residential trailer park. In either case, the self-supply occurs, and the GST/HST becomes payable, at the time the landlord first gives possession or occupancy of the site under the rental arrangement.

The self-supply rules may also apply to land other than a residential trailer park where a landlord first supplies the land on an exempt basis to the owner, lessee or occupant of a residential unit that is or will be affixed to the land for use as a place of residence. Generally, the landlord will be considered to have made a taxable self-supply of the land, and the GST/HST becomes payable, at the time the landlord first gives possession or occupancy of the land to a lessee under the rental arrangement.

Enhanced rebates – Eligibility conditions

As proposed, the enhanced new housing rebates would be subject to the same eligibility conditions as the existing B.C. new housing rebates. They continue to be available regardless of the purchase price or the fair market value of the housing unit, provided that all other conditions for claiming the corresponding GST/HST new housing rebate for the federal part of the HST are satisfied.

For information on the qualifying criteria for B.C. new housing rebates available to individuals who purchase new housing together with the land, purchase new housing together with the lease of land, or purchase a share in a housing co-op, refer to GST/HST Info Sheet GI-080, *Harmonized Sales Tax: British Columbia New Housing Rebate*.

For information on the qualifying criteria for B.C. new housing rebates available to individuals who build or substantially renovate, or hire someone else to build or substantially renovate, their own home, or who buy a new mobile or floating home, refer to GST/HST Info Sheet GI-081, *Harmonized Sales Tax: Information on Owner-built Homes, Mobile Homes and Floating Homes in British Columbia*.

The calculation of the enhanced rebates would use the same method as that used for the existing B.C. new housing rebates. Only the maximum rebate amounts would be changed, as explained below.

B.C. new housing rebate – purchase of house and land

An individual who purchases a new single-unit house or duplex together with land, or a residential condominium unit, from a builder may be entitled to claim a B.C. new housing rebate in respect of the provincial part of the HST paid by the individual on the purchase of the new housing and, if applicable, on the purchase of an interest in the new housing (e.g., where a previous purchaser assigns the purchase and sale agreement to the individual on a taxable basis).

The B.C. new housing rebate is equal to 71.43% of the 7% provincial part of the HST that an individual who qualifies for the rebate paid on the purchase of the new housing and, if applicable, on the purchase of an interest in the new housing, to a maximum rebate amount.

The existing maximum B.C. new housing rebate payable for such a purchase is \$26,250.

As proposed, the maximum available rebate would be increased to \$42,500 for the purchase of a single-unit house or duplex together with land, or a residential condominium unit, from a builder where the purchaser qualifies for the existing B.C. new housing rebate and the HST on the purchase becomes payable on or after April 1, 2012 and before April 1, 2013.

As a result, qualifying purchasers of new housing with a purchase price of up to \$850,000 would be eligible for a rebate of 71.43% of the provincial part of the HST paid, to a maximum rebate of \$42,500. Qualifying purchasers of new housing with a purchase price of \$850,000 and above would be eligible for the maximum rebate of \$42,500.

Example 1

On January 20, 2012, Mary enters into a written agreement of purchase and sale for a new house in B.C. The purchase price is \$875,000 (i.e., before GST/HST and exclusive of any new housing rebates). Mary takes ownership and possession of the house on May 15, 2012, in accordance with the agreement. The sale of the house is subject to the HST at 12% (\$105,000), payable on May 15, 2012.

As the purchase price of Mary's home is more than \$450,000, she is not entitled to claim a GST/HST new housing rebate in respect of the federal part of the HST. However, if she meets all of the other conditions for claiming a GST/HST new housing rebate on the purchase of new housing together with land from a builder, she would be entitled to claim a B.C. new housing rebate in respect of the provincial part of the HST. Because the HST on Mary's purchase became payable on or after April 1, 2012 and before April 1, 2013, the enhanced rebate is available, calculated as follows:

B.C. new housing rebate

Provincial part of the HST paid
= $\$105,000 \times 7/12$
= \$61,250

B.C. new housing rebate
= $\$61,250 \times 71.43\%$
= \$43,751
= **\$42,500 (maximum)**

A qualifying purchaser of new housing would generally receive the enhanced rebate either by filing a rebate application directly with the CRA or by having the builder pay or credit the enhanced rebate amount at the time of purchase. For further details, see "Claiming the enhanced new housing rebate" below.

B.C. new housing rebate – purchase of house together with lease of land

When an individual purchases a new single-unit house or duplex from a builder, and under the same agreement the builder supplies the related land to the individual either by way of a long-term lease² or by way of an assignment of a long-term lease, and the house and land are acquired by the individual for use as a place of residence, the builder is considered to make a self-supply of the house and land and is required to account for the GST/HST on the self-supply. As a result, the GST/HST is generally embedded in the price paid by the purchaser for a new house purchased together with the leased land.

The B.C. new housing rebate enables an individual who acquires new housing in these circumstances to recover a portion of the provincial part of the HST embedded in the purchase price, where the builder's self-supply was subject to the HST.

The B.C. new housing rebate is equal to 4.47% of the price paid for the building portion of the house (excluding any amounts paid as rent), to a maximum rebate amount.

The existing maximum B.C. new housing rebate payable for such a purchase is \$26,250.

As proposed, the maximum available rebate would be increased to \$42,500 where the individual qualifies for the existing B.C. new housing rebate and the builder is required to self-supply on or after April 1, 2012 and before April 1, 2013.

As there would be no phase-out of this rebate, a house priced above \$952,000 (i.e., \$850,000 plus 12% embedded HST) may qualify for the maximum rebate amount of \$42,500.

Example 2

On March 1, 2012, Heather enters into a written agreement with a builder for the purchase of a new single-unit house and the lease of the related land for a 40-year term. The purchase price of the house is \$800,000. Construction of the house is substantially completed on June 30, 2012. Possession of the property is transferred to Heather under the agreement on

² For purposes of this publication, a long-term lease is one under which continuous possession is given for a period of at least 20 years or contains an option to purchase the land.

July 31, 2012, triggering a self-supply of the house and land by the builder at that time. The fair market value of the house and land on July 31, 2012 is \$1,360,000. The builder is considered to have both collected and paid the HST on the self-supply, calculated on the fair market value of the house and land.

As the fair market value of the house and land is more than \$504,000, Heather is not entitled to claim a GST/HST new housing rebate in respect of the federal part of the embedded HST. However, provided she meets all of the other conditions for claiming a GST/HST new housing rebate on the purchase of new housing together with the lease of related land, Heather would be entitled to claim a B.C. new housing rebate in respect of the provincial part of the embedded HST. Because the builder's self-supply took place on or after April 1, 2012 and before April 1, 2013 (in this case, on July 31, 2012), the enhanced rebate would be available on Heather's purchase of the house, calculated as follows:

B.C. new housing rebate

= \$800,000 × 4.47%

= **\$35,760**

B.C. new housing rebate – purchase of shares in a housing co-op

An individual who acquires a unit in a new housing complex through the purchase of a qualifying share in a housing co-op may be entitled to claim a B.C. new housing rebate in respect of the provincial part of the HST embedded in the purchase price, where the co-op paid the HST on the acquisition of the new complex or was required, as a builder, to account for the HST on the fair market value of the new complex under the self-supply rules.

The B.C. new housing rebate is equal to 4.47% of the price paid for the qualifying share, to a maximum rebate amount.

The existing maximum B.C. new rebate payable for the purchase is \$26,250.

As proposed, the maximum available rebate would be increased to \$42,500 where the purchaser is an individual who qualifies for the existing B.C. new housing rebate, and

- where the co-op purchased the new housing complex, the HST on its purchase becomes

payable on or after April 1, 2012 and before April 1, 2013; or

- in the case of a self-supply of the new housing complex, the co-op's self-supply takes place on or after April 1, 2012 and before April 1, 2013.

As there would be no-phase out of this rebate, a share priced above \$952,000 (i.e., \$850,000 plus the 12% embedded HST) may qualify for the maximum rebate amount of \$42,500.

Example 3

On June 1, 2012, Paul enters into a written agreement to purchase a qualifying share in a housing co-op for \$925,000 in order to acquire a unit in a new housing complex. Construction of the new housing complex is substantially completed on November 15, 2012. Under the agreement, Paul gets possession of a unit in the new housing complex on December 1, 2012, and he is the first to occupy a unit in the housing complex as a place of residence. The housing co-op is considered to have self-supplied the housing complex at that time and is required to account for the HST on the self-supply.

As the purchase price of Paul's share is more than \$504,000, he is not entitled to claim a GST/HST new housing rebate in respect of the federal part of the HST embedded in his purchase. However, if Paul meets all of the remaining conditions for claiming a GST/HST new housing rebate on the purchase of a qualifying share in a housing co-op, he would be entitled to claim a B.C. new housing rebate in respect of the provincial part of the embedded HST. Because the co-op's self-supply took place on or after April 1, 2012 and before April 1, 2013 (in this case, on December 1, 2012), the enhanced rebate would be available on Paul's purchase of the share, calculated as follows:

B.C. new housing rebate

= \$925,000 × 4.47%

= **\$41,348**

See the section "Claiming the enhanced new housing rebate" below for the special filing deadline proposed for new housing acquired through the purchase of qualifying shares in a housing co-op.

B.C. new housing rebate – owner-built home

An individual who builds or substantially renovates, or hires someone else to build or substantially renovate, their own house may be entitled to claim a B.C. new housing rebate in respect of the provincial part of the HST paid by the individual on qualifying construction expenses (including land).

The B.C. new housing rebate is equal to 71.43% of the 7% provincial part of the HST that the individual paid on qualifying construction expenses, to a maximum rebate amount.

The existing maximum rebate is:

- \$17,588, if the individual did not pay the HST on the purchase of the land (e.g., the HST would not have applied if ownership or possession of the land was transferred to the individual before July 2010 or if the purchase was exempt of the HST) or if the individual leases the land; or
- \$26,250, if the individual paid the HST on the purchase of the land (e.g., if ownership and possession of the land are transferred to the individual after June 2010).

The enhanced B.C. new housing rebate would be available to an individual for an owner-built home where the individual qualifies for the existing B.C. new housing rebate of the HST paid on qualifying construction expenses, and if

- the construction or substantial renovation becomes substantially complete on or after April 1, 2012; and
- the rebate application is filed with the CRA on or after April 1, 2012 and within the permitted time limits.

The time limits for claiming the new housing rebate in respect of owner built homes are set out in the section "Filing deadlines" in Guide RC4028, *GST/HST New Housing Rebate*. However, see the section "Claiming the enhanced new housing rebate" below for the special filing deadline proposed for owner-built homes.

The maximum B.C. new housing rebate that may be claimed by a qualifying individual who builds or substantially renovates their own home would be increased to:

- \$28,475, if the individual did not pay the HST on the purchase of the land or if the individual leases the land; or

- \$42,500, if the individual paid the HST on the purchase of the land.

Example 4

In August 2011, Jean purchases land on which to build her new home and pays \$200,000 plus the HST on the purchase. She hires a builder to construct the house and pays another \$600,000 plus the HST on eligible construction costs. Construction becomes substantially complete in February 2012, at which time the fair market value of the house (building and land) is \$875,000.

Throughout the process, Jean paid the GST/HST as follows:

Purchases	Tax	Tax paid
Land	12% HST	\$24,000
Other eligible purchases	12% HST	<u>\$72,000</u>
Total tax paid		\$96,000

Jean files her B.C. new housing rebate claim on April 15, 2012. As the fair market value of the house and land is more than \$450,000, Jean is not entitled to claim a GST/HST new housing rebate in respect of the federal part of the HST she paid to buy the land and build her home. However, provided she meets all of the other conditions for claiming a GST/HST new housing rebate on an owner-built home, Jean would be still entitled to claim a B.C. new housing rebate for the provincial part of the HST she paid on eligible construction expenses.

In this case, although Jean filed her B.C. new housing rebate claim on April 15, 2012 (i.e., on or after April 1, 2012, as required), the enhanced rebate would not be available because construction of her house became substantially complete prior to April 1, 2012. Jean would remain eligible for the existing maximum rebate of \$26,250, since she paid the HST on her purchase of the land.

B.C. new housing rebate

$$\begin{aligned} &= \$96,000 \times 71.43\% \\ &= \$68,573 \\ &= \mathbf{\$26,250 \text{ (maximum)}} \end{aligned}$$

Example 5

In 2009, Laurie purchases land on which she builds her new home. She paid \$280,000 plus GST on the purchase. In February 2012, she hires a builder to construct her new house and pays \$740,000 plus the HST on eligible construction costs. Construction becomes substantially complete on December 12, 2012, at which time the fair market value of the house (building and land) is \$1,200,000.

Throughout the process, Laurie paid the GST/HST as follows:

Purchases	Tax	Tax paid
Land	5% GST	\$14,000
Other eligible purchases	12% HST	<u>\$88,800</u>
Total tax paid		\$102,800

As the fair market value of the house and land is more than \$450,000, Laurie is not entitled to claim a GST/HST new housing rebate in respect of the GST she paid to buy the land and the federal part of the HST she paid to build her home. However, if she meets all of the other conditions for claiming a GST/HST new housing rebate on an owner-built home, Laurie would be still entitled to claim a B.C. new housing rebate for the provincial part of the HST she paid on her eligible construction expenses. Because construction of her house became substantially complete on or after April 1, 2012 (in this case, on December 12, 2012) and because Laurie would also be filing her B.C. new housing rebate claim on or after April 1, 2012, the enhanced rebate would be available.

The maximum B.C. new housing rebate Laurie may claim is \$28,475 since she did not pay the HST on her purchase of the land. Her entitlement is calculated as follows:

B.C. new housing rebate

Provincial part of the HST paid
= $\$88,800 \times 7/12$
= \$51,800

B.C. new housing rebate
= $\$51,800 \times 71.43\%$
= \$37,001
= **\$28,475 (maximum)**

Example 6

Had Laurie paid the HST on her purchase of the land, and met the remaining conditions for claiming the rebate, the maximum B.C. new housing rebate she could have claimed would have been \$42,500. Her B.C. new housing rebate in that event would be calculated as follows:

Purchases	Tax	Tax paid
Land	12% HST	\$33,600
Remainder of purchases	12% HST	<u>\$88,800</u>
Total tax paid		\$122,400

B.C. new housing rebate

Provincial part of the HST paid
= $\$122,400 \times 7/12$
= \$71,400

B.C. new housing rebate
= $\$71,400 \times 71.43\%$
= \$51,001
= **\$42,500 (maximum)**

B.C. new housing rebate – mobile or floating home

For purposes of the GST/HST, a mobile home includes certain modular homes. Modular homes are considered mobile homes for GST/HST purposes provided they meet certain criteria including that the manufacture or assembly of the modular home is substantially completed prior to being moved to a site. For more detailed information refer to GST/HST Policy Statement P-223, *The meaning of “manufacture or assembly of which is completed or substantially completed” in the definition of “mobile home”*.

An individual who buys a new mobile or floating home may be entitled to claim a B.C. new housing rebate for the provincial part of the HST paid.

The eligibility rules, and the method used to calculate the rebate, depend on whether the individual:

- purchased the mobile home and land on which it is placed together from a builder of the mobile home;

- purchased the mobile home from a builder together with leased land (other than a site in a residential trailer park);
- purchased the mobile home from a builder and affixed it to a site in a residential trailer park, or purchased a floating home from a builder and docked it at a moorage facility; or
- purchased the mobile home from a builder and placed it on land the individual acquired from a separate supplier.

A builder includes the manufacturer, distributor, or retailer of a mobile or floating home, and is commonly referred to as a dealer.

GST/HST Info Sheet GI-081, *Harmonized Sales Tax: Information on Owner-built Homes, Mobile Homes and Floating Homes in British Columbia*, and Guide RC4028, *GST/HST New Housing Rebate*, explain the eligibility rules, qualifying expenses, and restrictions in each case for these types of housing.

Mobile home purchased with land

An individual who purchases a new mobile home together with land from a builder would be entitled to claim a B.C. new housing rebate under the same conditions, and using the same calculation method, as set out under “B.C. new housing rebate – purchase of house and land”, above.

As proposed, the maximum available rebate would be increased from \$26,250 to \$42,500 for the purchase of a new or substantially renovated mobile home together with land from a builder where the purchaser qualifies for the existing B.C. new housing rebate and the HST on the purchase becomes payable on or after April 1, 2012 and before April 1, 2013.

Purchase of mobile home together with lease of land (not a site in a residential trailer park)

An individual who purchases a new mobile home from a builder together with leased land (other than a site in a residential trailer park) would be entitled to claim a B.C. new housing rebate under the same conditions, and using the same calculation method, as described under “B.C. new housing rebate – purchase of house together with lease of land”, above.

As proposed, the maximum available rebate would be increased from \$26,250 to \$42,500 where the individual qualifies for the existing B.C. new housing rebate and the builder is required to self-supply on the mobile home and land on or after April 1, 2012 and before April 1, 2013.

Mobile home affixed to a site in residential trailer park / Floating home docked at moorage facility

Where a new mobile home is purchased from a builder and affixed to a site in a residential trailer park, or a new floating home is purchased from a builder and docked at a moorage facility, the B.C. new housing rebate only applies to the provincial part of the HST paid on the purchase of the mobile home or floating home. It does not apply to the HST paid, if any, on the site or on the moorage.

The B.C. new housing rebate is equal to 71.43% of the 7% provincial part of the HST that a qualifying individual paid on the purchase of the mobile home or floating home and, if applicable, on the purchase of an interest in the home, to a maximum rebate amount.

The existing maximum B.C. new housing rebate payable for such a purchase is \$26,250.

As proposed, the maximum available rebate would be increased to \$42,500 for the purchase of a new mobile home or floating home from a builder where the purchaser qualifies for the existing B.C. new housing rebate and the HST becomes payable on the purchase on or after April 1, 2012 and before April 1, 2013.

Mobile home purchased from a builder and affixed to land acquired from a separate supplier

Where an individual purchases a mobile home from a builder and places the home on land that the individual acquired from a separate supplier, the individual can choose one of two options to claim their new housing rebate:

Option 1 – B.C. new housing rebate for owner-built home, or

Option 2 – B.C. new housing rebate for a home purchased from a builder.

Depending on the individual's particular circumstances, one of these options may be more beneficial than the other. Refer to GST/HST Info Sheet GI-081, *Harmonized Sales Tax: Information on Owner-built Homes, Mobile Homes and Floating Homes in British Columbia*, for details about the eligibility rules, qualifying expenses, and restrictions for each.

Option 1 – B.C. new housing rebate for owner-built home

Under this option, the B.C. new housing rebate is equal to 71.43% of the 7% provincial part of the HST that the individual paid to purchase the mobile or floating home, the land and other eligible services, up to a maximum rebate amount.

The existing maximum rebate is:

- \$17,588, if the individual did not pay the HST on the purchase of the land (e.g., the HST would not have applied if ownership or possession of the land was transferred to the individual before July 2010 or if the purchase was exempt of the HST); or
- \$26,250, if the individual paid the HST on the purchase of the land (e.g., if ownership and possession of the land are transferred to the individual after June 2010).

If the individual chooses this option, their claim for the enhanced B.C. new housing rebate would be subject to the requirements explained in the section, "B.C. new housing rebate – owner-built home", above.

The maximum B.C. new housing rebate that may be claimed by a qualifying individual under Option 1 would be increased to:

- \$28,475 if the individual did not pay the HST on the purchase of the land; or
- \$42,500, if the individual paid the HST on the purchase of the land.

The rebate claim may also be subject to a special filing deadline. See "Claiming the enhanced new housing rebate" below for details.

Option 2 – B.C. new housing rebate for a home purchased from a builder

Under this option, the B.C. new housing rebate is equal to 71.43% of the provincial part of the HST paid on the purchase of the mobile or floating home from the builder and, if applicable, on the purchase of an interest in the home, to a maximum amount.

In general, under Option 2, the provincial part of the HST paid to persons **other than** the builder or dealer of the new mobile or floating home cannot be included in the purchaser's rebate claim. For example, if an individual paid GST/HST on the purchase of land or on other improvements to the land and the purchases were from a person other than the builder or dealer, that tax paid cannot be included in a rebate claim under Option 2.

The existing maximum rebate amount under Option 2 is \$26,250.

As proposed, the maximum available rebate would be increased to \$42,500 for the purchase of a new mobile home or floating home from a builder where the purchaser qualifies for the existing B.C. new housing rebate and the HST becomes payable on the purchase on or after April 1, 2012 and before April 1, 2013.

Example 7

In September 2011, Liam purchased land on which he intends to build his house. He paid \$300,000 plus \$36,000 HST on the purchase of the land. In August 2012, Liam purchased a modular home from a builder for \$360,000 plus \$43,200 HST. The modular home meets the definition of mobile home for GST/HST purposes. Upon substantial completion of the installation of the modular home on the land, the fair market value of the home (building and land) is \$700,000.

Throughout the process, Liam paid the GST/HST as follows:

Purchases	Tax	Tax paid
Land	12% HST	\$36,000
Modular home	12% HST	<u>\$43,200</u>
Total tax paid		\$79,200

As the fair market value of the modular home and land is more than \$450,000, Liam is not entitled to claim a GST/HST new housing rebate in respect of the federal part of the HST he paid to purchase the land and modular home.

However, if Liam meets all of the other conditions for claiming a GST/HST new housing rebate for an owner-built home, he would be entitled to claim a B.C. new housing rebate for the provincial part of the HST he paid on his eligible expenses. Given that the installation of the modular home became substantially complete on or after April 1, 2012, the enhanced B.C. rebate would be available to Liam provided he meets the application filing deadline.

Using **Option 1**, the rebate would be calculated as follows:

B.C. new housing rebate

Provincial part of the HST paid on land and home
= $\$79,200 \times 7/12$
= \$46,200

B.C. new housing rebate
= $\$46,200 \times 71.43\%$
= **\$33,001**

Using **Option 2**, the rebate would be calculated as follows:

B.C. new housing rebate

Provincial part of the HST paid on mobile home
= $\$43,200 \times 7/12$
= \$25,200

B.C. new housing rebate
= $\$25,200 \times 71.43\%$
= **\$18,000**

In this case, it is more beneficial for Liam to use Option 1 in calculating his housing rebate.

Claiming the enhanced new housing rebate

The enhanced B.C. new housing rebates will be administered by the CRA.

The time limits for claiming the existing B.C. new housing rebates would generally continue to apply for the enhanced new housing rebates. In most cases, new housing rebates must be claimed within two years of a specific event. For details on the specific event that triggers the start of the two-year period, see Guide RC4028, *GST/HST New Housing Rebate*.

However, special time limits would now apply to the existing or enhanced B.C. new housing rebate for certain housing types (i.e., owner-built housing, and housing acquired through the purchase of qualifying shares in a housing co-op), as explained below.

Revised rebate application forms are available on the CRA Web site. Guide RC4028, *GST/HST New Housing Rebate* includes instructions for completing and filing your application.

Please note that the CRA would only be able to pay the enhanced B.C. new housing rebate once the regulations permitting the enhanced rebate are published in the *Canada Gazette*.

Rebate for purchase of home from builder

When a qualifying home is sold by a builder, the builder would have the option of paying or crediting the enhanced B.C. new housing rebate to the purchaser at the time of purchase, as the builder does now with the existing B.C. new housing rebate.

Where a builder has agreed to pay or credit the existing B.C. new housing rebate to the purchaser at the time of purchase, the builder would also be able to pay or credit to the purchaser the additional rebate amount that would be available as a result of the enhancements to the rebate. If the builder pays or credits the additional rebate amount, the purchaser would receive the benefit of the enhanced rebate amount at the time of purchase.

If the builder pays or credits the additional rebate amount to the purchaser, the builder would be eligible to claim a deduction from the builder's net tax for the total amount of the enhanced rebate paid or credited to purchaser.

However, a builder would not be entitled to claim a deduction from net tax for the additional rebate amount if the builder agrees to pay or credit only the existing rebate amount to the purchaser. In that event,

the builder would be eligible to claim a deduction from net tax for the existing rebate only. The purchaser would still be able to receive the enhanced portion of the rebate in this case. For instructions on how to claim the enhanced portion of the rebate in this case, see the General Information section on Form RC7190-BC, *GST190 British Columbia Rebate Schedule*.

As before, if the builder does not agree to pay or credit any portion of the B.C. new housing rebate, a qualifying purchaser would be able to file an application for the rebate directly with the CRA for the total amount of the enhanced rebate.

Whether the rebate application is submitted by the builder or the purchaser, in all cases only one rebate application can be filed with the CRA in respect of a single purchase of housing.

Example 8

On November 1, 2011, Aedan enters into a written agreement to purchase a new house from a builder for \$990,000 plus \$118,800 HST. Title and possession of the house will transfer to Aedan under the agreement on June 1, 2012. At the time he enters into the agreement, Aedan qualifies for the maximum rebate under the existing B.C. new housing rebate provisions (\$26,250), and the builder has agreed to pay or credit that amount to him. Under the enhanced rebate rules, Aedan would be eligible for the new maximum rebate of \$42,500.

As the builder has already agreed to pay or credit the existing \$26,250 B.C. new housing rebate to Aedan, the builder would also be able to pay or credit the additional \$16,250 rebate amount so that Aedan receives the total amount of the enhanced rebate (\$42,500) at the time of purchase. If the builder does so, the builder would be eligible to claim a deduction from its net tax for the total amount of the enhanced rebate paid or credited.

If the builder does not pay or credit the additional \$16,250 to Aedan, he could still receive this enhanced portion of the rebate by following the instructions in the General Information section of Form RC7190-BC, *GST190 British Columbia Rebate Schedule*. The builder would be eligible to claim a deduction of \$26,250 for the existing rebate alone.

In either case only one rebate application can be filed with the CRA in respect of Aedan's purchase.

Rebate for owner-built home

An individual who builds or substantially renovates, or hires someone else to build or substantially renovate, their own house will file their application directly with the CRA using the revised rebate application form RC7191-BC, *GST191 British Columbia Rebate Schedule*.

In most cases, a B.C. new housing rebate for an owner-built home must be claimed within two years of a specific event. For details on the specific event that triggers the start of the two year period, see Guide RC4028, *GST/HST New Housing Rebate*. However, as proposed, the **existing or enhanced B.C. new housing rebate** for an owner-built home would be available only where the application is filed with the CRA **before April 1, 2017**, even if on that date the time limit that would otherwise apply to that rebate has not yet expired.

Example 9

In January 2012, Bailey purchases land and begins construction of her new home. Bailey pays the HST on the land purchase and on all construction costs that are invoiced before April 1, 2013. The construction of Bailey's home becomes substantially complete, and she begins to occupy it as a place of residence, on September 1, 2016.

If Bailey satisfies the eligibility conditions for the existing B.C. new housing rebate, she would be entitled to claim an enhanced B.C. new housing rebate, up to a maximum amount of \$42,500, for the provincial part of the HST paid on the purchase of the land and on her eligible construction expenses.

Bailey would be entitled to the enhanced rebate if she files a rebate application with CRA **before April 1, 2017** (and following substantial completion of the home). Ordinarily, Bailey would have had up to two years from September 1, 2016, to claim the rebate (i.e., until August 31, 2018). However, in this case, the B.C. new housing rebate, including the enhanced amount, would be available only where her application is filed with the CRA before April 1, 2017.

Rebate for co-op share

An individual who acquires new housing through the purchase of qualifying shares in a housing co-op will file their application directly with the CRA using the revised rebate application Form RC7190, *GST190 British Columbia Rebate Schedule*. The co-op cannot pay or credit the individual with the amount of the existing or enhanced B.C. new housing rebate.

Ordinarily, the individual has up to two years from the date ownership of the share was transferred to claim their rebate.

However, as proposed, the **existing or enhanced B.C. new housing rebate** for new housing acquired through the purchase of qualifying shares in a housing co-op would be available only where the application is filed with the CRA **before April 1, 2017**, even if on that date the time limit that would otherwise apply to that rebate has not yet expired.

This info sheet does not replace the law found in the *Excise Tax Act* (the Act) and its regulations. It is provided for your reference. As it may not completely address your particular operation, you may wish to refer to the Act or appropriate regulation, or contact any CRA GST/HST rulings office for additional information. A ruling should be requested for certainty in respect of any particular GST/HST matter. Pamphlet RC4405, *GST/HST Rulings – Experts in GST/HST Legislation* explains how to obtain a ruling and lists the GST/HST rulings offices. If you wish to make a technical enquiry on the GST/HST by telephone, please call 1-800-959-8287.

Reference in this publication is made to supplies that are subject to the GST or the HST. The HST applies in the participating provinces at the following rates: 13% in Ontario, New Brunswick and Newfoundland and Labrador, 15% in Nova Scotia, and 12% in British Columbia. The GST applies in the rest of Canada at the rate of 5%. If you are uncertain as to whether a supply is made in a participating province, you may refer to GST/HST Technical Information Bulletin B-103, *Harmonized Sales Tax – Place of Supply Rules for Determining Whether a Supply is Made in a Province*.

Effective April 1, 2013, the 12% HST in British Columbia will be replaced by the 5% GST and a provincial sales tax. It is also proposed that, effective April 1, 2013, the provincial sales tax and the 5% GST currently in effect in Prince Edward Island will be replaced by a 14% HST.

If you are located in Quebec and wish to make a technical enquiry or request a ruling related to the GST/HST, please contact Revenu Québec at 1-800-567-4692. You may also visit the Revenu Québec Web site to obtain general information.

All technical publications related to GST/HST are available on the CRA Web site at www.cra.gc.ca/gsthsttech.