



Harmonized Sales Tax: Proposed Enhancements to the British Columbia New Residential Rental Property 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 the British Columbia Provincial Sales Tax*, issued by the Government of British Columbia on February 17, 2012. In that document, the new residential rental property rebate is referred to as the new rental housing rebate.

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 residential rental property rebates for landlords of qualifying rental properties.

Information about the proposed enhancements to the B.C. new housing rebates for individuals who build or purchase their own new housing is provided in GST/HST Info Sheet GI-128, *Harmonized Sales Tax: Proposed Enhancements to the British Columbia New Housing 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 B.C. 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 term new housing used throughout this info sheet refers to newly constructed or substantially renovated housing. 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 Technical Information Bulletin B-092, *Substantial Renovations and the GST/HST New Housing Rebate*.

Enhanced rebates – Overview

The enhanced B.C. new residential rental property rebate would be available to a landlord who purchases new housing for rental purposes, or who constructs or substantially renovates housing for rental purposes, where the HST on the purchase or the self-supply, as the case may be, becomes payable on or after April 1, 2012 and before April 1, 2013, and the landlord qualifies for the existing B.C. new residential rental property rebate.

La version française de la présente publication est intitulée *Taxe de vente harmonisée : améliorations proposées aux remboursements pour immeubles d'habitation locatifs neufs de la Colombie Britannique*.



The enhanced rebate would also be available to a landlord who is liable for the HST under the self-supply rules when they first supply land alone under an exempt lease for residential use, provided the HST on the self-supply becomes payable on or after April 1, 2012 and before April 1, 2013, and the landlord qualifies for the existing B.C. new residential rental property rebate.

Refer to Guide RC4231, *GST/HST New Residential Rental Property Rebate* for information on the conditions and deadlines for claiming the new residential rental property rebate.

The calculation of the enhanced rebates would use the same method as that used for the existing B.C. new residential rental property rebates. Only the maximum rebate amounts would be changed, as explained later in this info sheet.

When does the GST/HST become payable on a purchase of new housing?

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.

What is a self-supply?

The term “self-supply” describes a situation where a person is considered to have both made a taxable supply by way of sale of real property and, at the same time, to have repurchased that property. Under the self-supply rules, the person is also considered to have

both collected and paid the GST/HST on the fair market value of the property.

Self-supply rules may apply to “builders” of new housing, and to landlords who lease land for residential purposes, whether they are GST/HST registrants or not.

“Builder” has a very specific meaning for GST/HST purposes that is not limited to a person who physically constructs housing. See Guide RC4052, *GST/HST Information for the Home Construction Industry*, for more information.

When does a self-supply of new housing occur?

A self-supply of new housing by a builder 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, or a unit in the housing, is given under a lease, licence or similar arrangement to an individual (or to a person who, in turn, will rent it to an individual), and the individual is the first to occupy the housing as a place of residence.

In the case of a builder-occupied home, a self-supply occurs at the later of

- the time construction or substantial renovation of the new housing is substantially completed, and
- the time the builder occupies the new housing as a place of residence.

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

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

Where the builder sells the building part of the new housing and leases the related land to the purchaser under the same agreement (other than the sale of a mobile home together with a site in a residential trailer park), the self-supply occurs at the later of

- the time that the construction or substantial renovation of the housing is substantially completed, and
- the time possession or use of the housing is given under the agreement to an individual who is the first to occupy a unit in the housing as a place of residence.

When does the GST/HST become payable on a self-supply of new housing?

The GST/HST becomes payable (i.e., the builder is considered to have paid the GST/HST on the fair market value of the housing) at the time of the self-supply.

For a complete discussion on the self-supply rules for new housing, see Guide RC4052, *GST/HST Information for the Home Construction Industry*.

Self-supply of land for residential use

A person may be required to account for the GST/HST under the self-supply rules when they first supply land on an exempt basis for use as 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.

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.

There are exceptions to these general self-supply rules. Refer to GST/HST Memorandum 19.2.3, *Residential Real Property – Deemed Supplies*.

When does the GST/HST become payable on a self-supply of land?

The GST/HST becomes payable, i.e., the landlord is considered to have paid the GST/HST on the self-supply, at the time the landlord first gives possession or occupancy of the land to a lessee under the rental arrangement.

The rest of this info sheet does not apply to you if you are a landlord and your purchase of new housing, or your deemed purchase of new housing or land under the self-supply rules, is

- subject to the GST alone, or
- subject to the HST, but the HST became payable before April 1, 2012.

Rebate for lease of house and land

The existing B.C. new residential rental property rebate for housing that is purchased, built or substantially renovated for rental purposes is equal to 71.43% of the 7% provincial part of the HST

- that is attributable to a “qualifying residential unit” (subject to a maximum rebate amount) and
- that a landlord
 - paid on the purchase price of new housing and, if applicable, on the purchase of an interest in the new housing (e.g., where the previous purchaser assigns the purchase and sale agreement to the landlord on a taxable basis); or
 - was deemed to have been paid under the self-supply rules;

The current maximum B.C. new residential rental property rebate that may be claimed for a qualifying residential unit is \$26,250. For multiple-unit rental housing (i.e., generally, housing with more than two residential units), the maximum rebate of \$26,250 applies for each qualifying residential unit.

The maximum B.C. new residential rental property rebate that may be claimed for a qualifying residential unit would be increased to \$42,500 where the HST on the purchase or self-supply, as the case may be, becomes payable on or after April 1, 2012 and before

April 1, 2013, and the landlord qualifies for the existing B.C. new residential rental property rebate.

For multiple-unit rental housing (i.e., generally, housing with more than two residential units), the maximum rebate of \$42,500 would apply for each qualifying residential unit.

As a result, a purchaser of a residential complex with a purchase price attributable to each qualifying residential unit of up to \$850,000 (before HST and rebates) would be eligible for a rebate of 71.43% of the provincial part of the HST paid, to a maximum rebate of \$42,500 per qualifying residential unit. A builder of a residential complex with a fair market value attributable to each qualifying residential unit of up to \$850,000 would be eligible for a rebate of 71.43% of the provincial part of the HST paid on the self-supply, to a maximum rebate of \$42,500 per qualifying residential unit.

Where the purchase price or fair market value attributable to a qualifying residential unit is more than \$850,000, the landlord would be eligible for the maximum rebate of \$42,500 for the unit.

Example 1

Mr. Jones bought a new house from a builder that he intends to rent to another individual as a primary place of residence. Both ownership and possession of the house transfer to Mr. Jones under the written agreement on May 1, 2012.

Because the HST on the purchase is payable on May 1, 2012 (i.e., on or after April 1, 2012 and before April 1, 2013), Mr. Jones would be eligible for the enhanced B.C. new residential rental property rebate, provided that he meets the conditions for claiming the existing B.C. new residential rental property rebate.

Refer to Guide RC4231, *GST/HST New Residential Rental Property Rebate* for information on the conditions and deadlines for claiming the new residential rental property rebate.

Example 2

On January 31, 2012, Mrs. Wong entered into a written agreement of purchase and sale to buy a new condo unit (for \$700,000 plus HST) that she intends to rent to an individual as a primary place of residence. Under the agreement, possession of the condo is transferred to Mrs. Wong on March 31, 2012. The

condominium complex is to be registered as a condominium on April 15, 2012, and title to the unit transfers to her on the same day.

As the condominium complex is not registered as a condominium when possession of the unit is transferred to Mrs. Wong, the HST does not become payable on her purchase at the time possession of the unit is transferred. Rather, the HST becomes payable on April 15, 2012 (being the earlier of the day ownership is transferred to her and the day that is 60 days after the condominium complex is registered as a condominium).

As the HST on her purchase is payable on or after April 1, 2012 and before April 1, 2013, Mrs. Wong would be eligible for the enhanced B.C. new residential rental property rebate, provided that she meets the conditions for claiming the existing B.C. new residential rental property rebate. If so, the B.C. new residential rental property rebate would be calculated as follows:

HST paid on the purchase
 $= \$700,000 \times 12\%$
 $= \$84,000$

B.C. new residential rental property rebate

Provincial part of the HST paid
 $= \$84,000 \times 7/12$
 $= \$49,000$

B.C. new residential rental property rebate
 $= \$49,000 \times 71.43\%$
 $= \$35,000.70$

Example 3

In October 2011, a corporation completed construction of a house that it originally intended to sell. However, a buyer could not be found, so the corporation has now entered into a one-year lease agreement with an individual who will occupy the house as their primary place of residence. The individual is the first person to occupy the house as a place of residence after the substantial completion of the construction of the house. The individual obtains possession of the house under the agreement on March 1, 2012. The corporation is eligible for the existing B.C. new residential rental property rebate.

However, the corporation is not eligible for the enhanced B.C. new residential rental property rebate. The corporation's self-supply of the house is triggered at the time possession or use of the house is given to the individual (i.e., March 1, 2012), and the corporation is considered to have collected and paid HST on the self-supply at that time. Therefore, the enhanced B.C. new residential rental property rebate would not be available to the corporation even if it is eligible for the existing B.C. new residential rental property rebate, because the HST on the corporation's self-supply became payable prior to April 1, 2012. The current rebate maximum (\$26,250) would apply.

Rebate for sale of building and lease of land

When a builder sells new or substantially renovated housing and, under the same agreement, leases the related land to the purchaser for use as a place of residence by individuals, the builder is considered to make a self-supply of the housing 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 the new house together with the leased land.

Where a builder's self-supply was subject to the HST, the B.C. new residential rental property rebate may enable a builder to recover a portion of the provincial part of the HST deemed to be paid on the self-supply.

In this case, the existing B.C. new residential rental property rebate is equal to 71.43% of the 7% provincial part of the HST that a builder is deemed to have paid under the self-supply rules and that is attributable to a qualifying residential unit, minus any B.C. new housing rebate that the purchaser is entitled to claim.

Where the housing is a single-unit house (including a duplex) or a residential condominium unit, if the purchaser of the building part of the complex is not entitled to claim the B.C. new housing rebate, the builder is not entitled to claim the B.C. new residential rental property rebate.

The current maximum B.C. new residential rental property rebate for a qualifying residential unit is \$26,250.

For multiple-unit rental housing (i.e., generally, housing with more than two residential units), the

maximum rebate of \$26,250 applies for each qualifying residential unit.

As proposed, the maximum B.C. new residential rental property rebate that could be claimed by a builder under these circumstances for a qualifying residential unit would be increased to \$42,500 where the HST on the builder's self-supply becomes payable on or after April 1, 2012 and before April 1, 2013, and the builder qualifies for the existing B.C. new housing rebate.

For multiple-unit rental housing (i.e., generally, housing with more than two residential units), the maximum rebate of \$42,500 would apply for each qualifying residential unit.

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

Rebate for lease of land

The existing B.C. new residential rental property rebate may be available for a person who makes an exempt rental of land for residential use (i.e., rents out a residential lot, a site in a residential trailer park or a site in an addition to a residential trailer park) and, as a result, is considered to have paid the HST under the self-supply rules.

See Guide RC4231, *GST/HST New Residential Rental Property Rebate* for details regarding the conditions and deadline for claiming the new residential rental property rebate for leased land.

The existing B.C. new residential rental property rebate for qualifying leased land is 71.43% of the provincial part of the HST paid under the self-supply rules, to a maximum of \$8,663 (i.e., 33% of \$26,250).

For qualifying multiple residential lots or sites in a residential trailer park or additions thereto, the maximum rebate amount of \$8,663 applies to each lot or site.

As proposed, the maximum B.C. new residential rebate that may be claimed for qualifying leased land would be increased to \$14,025 (i.e., 33% of \$42,500) where the HST is considered to be paid by the person under the self-supply rules on or after April 1, 2012 and before April 1, 2013 and the person qualifies for

the existing B.C. new residential rental property rebate.

For qualifying multiple residential lots or sites in a residential trailer park or additions thereto, the maximum rebate of \$14,025 would apply to each lot or site.

Example 4

Mr. Carter buys a vacant lot in August 2012 for \$300,000, and enters into a 20-year lease agreement with an individual who will build a house on the lot for use as the individual's place of residence. The individual gets possession of the land under the lease agreement on September 1, 2012. The lease of the lot is an exempt supply for GST/HST purposes. Mr. Carter is not a GST/HST registrant.

Mr. Carter will be considered to have made a taxable self-supply (sale and repurchase) of the lot on September 1, 2012 (i.e., the date he first gives possession of the lot to the individual under the lease arrangement), and to have both collected and paid the HST on the fair market value of the lot at that time ($\$300,000 \times 12\% = \$36,000$).

Since the self-supply occurs on or after April 1, 2012 and before April 1, 2013, he would be eligible for the enhanced B.C. new residential rental property rebate, provided that he meets the conditions for claiming the existing B.C. new residential rental property rebate. If so, the B.C. new residential rental property rebate would be calculated as follows:

HST deemed paid on the self-supply
 $= \$300,000 \times 12\%$
 $= \$36,000$

B.C. new residential rental property rebate

Provincial part of the HST deemed paid
 $= \$36,000 \times 7/12$
 $= \$21,000$

B.C. new residential rental property rebate
 $= \$21,000 \times 71.43\%$
 $= \$15,000.30$
 $= \$14,025 \text{ (maximum)}$

Claiming the enhanced new residential rental property rebate

The enhanced B.C. new residential rental property rebate would be administered by the CRA.

As before, the GST/HST new residential rental property rebate application must be filed directly with the CRA. Revised application forms are available on the CRA Web site.

Filing deadlines vary, depending on the type of application being made for the new residential rental property rebate. The time limits for claiming the existing B.C. new residential rental property rebates would continue to apply for the enhanced new housing rebates. Refer to Guide RC4231, *GST/HST New Residential Rental Property Rebate*, for the applicable due date for your particular application type.

Public service bodies

Where a public service body is a landlord and is entitled to claim the B.C. public service body rebate in respect of the provincial part of the HST paid or payable on the purchase or self-supply of its residential rental property, the public service body would be entitled to claim either the B.C. public service body rebate or the enhanced B.C. new residential rental property rebate.

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.