



Prince Edward Island: Transition to the Harmonized Sales Tax – Information for Non-registrant Builders

A harmonized sales tax (HST) came into effect in Prince Edward Island (P.E.I.) effective April 1, 2013.

The HST rate in P.E.I. is 14% of which 5% represents the federal part and 9% the provincial part.

This info sheet outlines rules that apply to GST/HST non-registrant builders of new housing in Prince Edward Island (P.E.I.), particularly rules relating to the reporting of tax.

A GST/HST non-registrant person is a person who is not, and is not required to be, registered for GST/HST purposes. For more information on GST/HST registration requirements, refer to Guide RC4022, *General Information for GST/HST Registrants*.

Definitions for GST purposes, e.g., builder, mobile home, residential complex, residential unit, residential condominium unit and substantial renovation, generally apply under the HST, as do the CRA's current policies on the application of the GST to housing. Guide RC4052, *GST/HST Information for the Home Construction Industry*, and GST/HST Info Sheet GI-005, *Sale of a Residence by a Builder Who is an Individual*, discuss many of these important terms and concepts.

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 be 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.

Taxable new housing sales and resales by a non-registrant builder

The sale, or resale, of new housing by a builder is generally taxable even if the builder is a non-registrant.

For information on the tax that applies to the sale of new housing in P.E.I. (i.e., the GST at 5% or the HST at 14%), refer to GST/HST Info Sheet GI-146, *Harmonized Sales Tax: Information for Builders of New Housing in Prince Edward Island*.

Generally, the vendor of new housing is responsible for collecting and reporting the GST/HST payable on the sale of new housing. However, there are some exceptions to the rule. This rule and its exceptions are explained in Guide RC4052.

Grandparented sales of new housing

Certain taxable sales of new housing in P.E.I. are grandparented. The grandparenting rules are explained in GST/HST Info Sheet GI-146. Where a non-registrant makes a grandparented taxable sale of new housing and the non-registrant is required to collect the tax on the sale, the non-registrant is only required to collect the GST at 5%.

For information on how a non-registrant reports the tax collectible on the grandparented sale of housing and other related information, see the information under "Reporting and remitting GST/HST".

Transitional tax adjustment

Under the HST transitional rules, a builder may be considered to have collected a transitional tax adjustment for certain sales of new housing in P.E.I.

If so, the builder is required to include that amount in its net tax calculation on the builder's GST/HST return for the reporting period that includes the day that is:

- in the case of a detached house, semi-detached house, rowhouse unit or residential condominium unit, the earlier of the day ownership or possession of the housing is transferred to the purchaser under the written agreement of purchase and sale for the housing; or
- in the case of a condominium complex, the earlier of the day ownership of the complex is transferred to the purchaser and the day that is 60 days after the day the complex is registered as a condominium.

GST/HST Info Sheet GI-150, *Harmonized Sales Tax: Information on the Transitional Tax Adjustment for Builders of Housing in Prince Edward Island* provides additional information on this subject.

For information on how a non-registrant reports and remits the transitional tax adjustment, refer to the section on "Reporting and remitting GST/HST".

Taxable self-supply by a non-registrant builder

A builder that constructs new housing is generally considered to have made a taxable sale and repurchase (self-supply) of the housing when the builder first gives possession or use of the new housing, or a unit in it, under a lease, licence or similar arrangement for use as a place of residence by an individual. This includes those situations where the builder sells the building part of the new housing and leases the underlying land (other than a sale of a mobile home and the lease of a site in a residential trailer park).

This rule also applies to builders who construct a new addition (e.g., floor or wing) to multiple-unit rental housing when the builder first rents the addition, or a unit in the addition, for use by an individual as a place of residence.

The self-supply rule applies to non-registrant builders as well as builders that are registered for GST/HST purposes.

A builder who is considered to have made a self-supply of new housing has to account for the GST/HST that the builder is considered to have collected on that self-supply by reporting that tax in its GST/HST return, even if the builder is a non-registrant. The amount of the GST/HST that a builder is considered to have collected is calculated on the fair market value of the new housing (building and land) as of the date of the self-supply.

See GST/HST Info Sheet GI-149, *Harmonized Sales Tax: Information for Landlords of New Rental Housing in Prince Edward Island*, for an explanation of the HST transitional rules that would apply for the self-supply of new housing by a builder.

Reporting and remitting GST/HST

Non-registrant builders have different filing requirements than GST/HST registrant builders, and these requirements continue under the HST.

A non-registrant builder is required to use Form GST62, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return (Non-Personalized)* to report the following amounts for any reporting period in which they have tax to report, including:

- the GST/HST collectible on a taxable sale, or resale, of new housing,
- the transitional tax adjustment for a grandparented sale of new housing, or
- the GST/HST collectible on a self-supply of new housing.

The reporting period of a non-registrant is the calendar month.

A non-registrant builder is required to remit the net tax owing for a particular month and file the GST/HST return by the end of the month following the month during which:

- tax became payable on the non-registrant's taxable sale of new housing,
- tax became collectible on a self-supply, or
- the transitional tax adjustment would be considered to have been collected by the builder.

Although many GST/HST registrants, including builders, are required to file their GST/HST returns electronically for reporting periods ending on or after July 1, 2010, non-registrants cannot file their returns electronically. Non-registrant builders continue to file paper GST/HST returns. However, a non-registrant builder has to report the same information as a builder who is a registrant.

A non-registrant builder in P.E.I. is required to attach a letter to its GST/HST return (Form GST62) to report any of the following information:

- the number of grandparented housing units sold during the reporting period where the purchaser is not entitled to claim a GST/HST new housing rebate or GST/HST new residential rental property rebate and the total of the sale prices of those units (in the case of a grandparented sale of a condominium complex, the sale counts as one grandparented housing unit);
- where the non-registrant builder makes a taxable resale of the housing (i.e., is a reseller), the number of newly constructed or substantially renovated housing units sold during the reporting period that are subject to HST at 14% in P.E.I., where those units were previously purchased by the reseller on a grandparented basis, and the total of the purchase price paid by the reseller for those units;
- the transitional tax adjustment in respect of grandparented housing that is required to be included in the non-registrant builder's net tax calculation for the reporting period; and
- the amount of all provincial transitional new housing rebates for the reporting period (including those assigned to the non-registrant builder by a purchaser) that the non-registrant builder is reporting in its GST/HST return.

Recovering GST/HST paid or owing

A non-registrant builder cannot claim input tax credits (ITCs) to recover the GST/HST paid or payable by the builder on its land, construction and other costs incurred to construct or substantially renovate housing. However, a non-registrant may be eligible to recover some or all of these amounts by way of rebate if certain conditions are met.

Public service body rebates

A non-registrant public service body (e.g., a charity, or a qualifying non-profit organization) resident in P.E.I. continues to be entitled to claim a rebate for a portion of the GST and the federal part of the HST paid or payable on the purchase or construction of new housing, where the conditions for claiming that rebate are met.

In addition, [charities, public institutions and qualifying non-profit organizations resident in P.E.I.](#) will be entitled to claim a 35% rebate of the provincial part of the HST paid or payable on eligible purchases and expenses used in non-selected public service body activities. For further details, refer to Guide RC4034, *GST/HST Public Service Bodies' Rebate*.

Rebate when taxable sale of real property is made

A GST/HST rebate is generally available to a non-registrant builder at the time the builder makes a taxable sale of new housing to another person or is considered under the self-supply rules to have made a taxable sale of the new housing. This rebate entitles the builder to recover the GST/HST paid on the construction or substantial renovation of the housing that the builder could not previously recover (e.g., through an ITC or a public service body rebate).

This rebate continues to be available after the implementation of the HST in P.E.I. For more information, see Guide RC4052, *GST/HST Information for the Home Construction Industry*, and Guide RC4033, *General Application for GST/HST Rebates*.

New residential rental property rebates

The new residential rental property rebate in respect of the GST, or federal part of the HST, that a non-registrant builder is considered to have collected on a self-supply of new housing continues to be available to eligible builder-landlords. There is no rebate for the provincial part of the HST on the self-supply of new housing in P.E.I.

Recovering embedded provincial sales tax

New housing in P.E.I. that is constructed or under construction as of April 1, 2013 has the provincial sales tax (PST) embedded in the cost of the housing. A non-registrant builder cannot recover this amount through any of the rebates described above. However, a non-registrant builder may be eligible for one of the provincial transitional rebates described below.

Provincial transitional new housing rebate – First sale

Depending on the circumstances, a provincial transitional new housing rebate of the estimated embedded PST may be available to a non-registrant builder when the builder first sells new housing to another person or when the builder is considered to have made a self-supply of new housing. Refer to GST/HST Info Sheet GI-151, *Harmonized Sales Tax: Provincial Transitional New Housing Rebate for Housing in Prince Edward Island* for more information.

Provincial transitional new housing rebate – Resale

A purchaser of new housing may be considered to be a builder for GST/HST purposes because of the purchaser's intentions at the time of their purchase. If so, where a builder (the reseller) sells the new housing, the resale is generally taxable.

Where the initial sale of that housing is “grandparented”, and the resale by the reseller is subject to the HST, the PST embedded in the cost of the new housing may be recoverable. In such situations, a non-registrant reseller is generally entitled to claim a rebate to recover an amount on account of the provincial sales tax that is embedded in the price of the housing.

The rebate available to the reseller is equal to 4.5% of the purchase price payable by the reseller on the purchase of the grandparented housing from the original builder.

An eligible reseller that is not a registrant claims this rebate on Form RC7003-PE, *Prince Edward Island Provincial Sales Tax Transitional New Housing Rebate for Non-registrant First Resellers*.

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.

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/gsthstech.