



Elimination of the Harmonized Sales Tax in British Columbia: British Columbia Transition Rebate for Builders of New Housing

Effective April 1, 2013, the 12% HST, consisting of a 5% federal part and a 7% provincial part, will no longer apply in British Columbia (B.C.). Instead, the GST at 5% and a provincial sales tax will apply.

To aid the transition between the two tax regimes, the B.C. *New Housing Transition Tax and Rebate Act*, which was passed in May 2012:

- imposes a new, temporary, 2% B.C. transition tax on purchasers of certain newly constructed or substantially renovated housing or interests in such housing, that is fully or partially constructed under the HST, but where ownership and possession generally transfer on or after April 1, 2013;
- introduces a new, temporary B.C. transition rebate for builders who supply new housing, or qualifying interests in such housing, that is subject to the B.C. transition tax, but where provincial sales tax (PST) has been paid on substantially all of the construction materials incorporated into the new housing on or after April 1, 2013; and
- requires vendors of new housing to provide certain tax-related information to purchasers.

The B.C. transition tax and the B.C. transition rebate will apply until April 1, 2015. The B.C. transition tax and the B.C. transition rebate are administered by the Canada Revenue Agency (CRA) on behalf of the Government of British Columbia.

This info sheet reflects information contained in the B.C. *New Housing Transition Tax and Rebate Act*, and related information set out in the *Regulations Amending Various GST/HST Regulations, No. 3*, made by the Government of Canada and published in the *Canada Gazette* on October 10, 2012.

For more information on the rules surrounding real property during the transition from the HST to the GST and PST, refer to the following publications:

- GST/HST Notice 276, *Elimination of the HST in British Columbia in 2013 – Transitional Rules for Real Property Including New Housing*,

- GST/HST Info Sheet GI-156, *Elimination of the Harmonized Sales Tax in British Columbia: British Columbia Transition Tax on New Housing*, and
- GST/HST Info Sheet GI-132, *Elimination of the HST in British Columbia: Builder Information Requirements for the Transition Period*.

For transitional rules regarding the implementation of the new PST, contact the Government of British Columbia at 1-877-388-4440 or by email at CTBTaxQuestions@gov.bc.ca.

Transition back to the GST – New housing

Under the general transitional rules, the 5% GST (rather than the 12% HST) applies to a builder's taxable sale, including a self-supply, of new housing, or an interest in new housing, in B.C. where the tax on the sale or self-supply becomes payable on or after April 1, 2013.

In addition to the GST, the B.C. transition tax may apply to a builder's sale of new housing, an interest in new housing or the self-supply of new housing where the GST in respect of the sale or self-supply becomes payable on or after April 1, 2013 and before April 1, 2015. In that event, the B.C. transition rebate may be available to the builder.

This info sheet explains who is eligible to claim the B.C. transition rebate, the eligibility criteria for the rebate (including the general exclusions from rebate eligibility), how the rebate is calculated, and how the rebate is claimed.

First Nations: In the case of new housing on land where the First Nations goods and services tax (FNGST) has replaced the GST, any reference in this info sheet to “GST” includes a reference to the FNGST. For an overview of the FNGST, refer to Guide RC4365, *First Nations Goods and Services Tax (FNGST)*.

In most cases, definitions for GST/HST purposes (e.g. builder and substantial renovation) apply for the purposes of the B.C. transition tax and the B.C. transition rebate, as do the CRA’s current policies on the application of the GST/HST to housing. CRA publications, 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 terms and concepts. However, certain terms (e.g., affixed residential complex, affixed mobile home) are used for the purposes of the B.C. transition tax and the B.C. transition rebate.

New housing

An “affixed residential complex” is defined for purposes of the B.C. transition tax and the B.C. transition rebate and generally means a residential complex (as defined for GST/HST purposes) that is located in British Columbia, but does not include mobile homes not affixed to land or floating homes.

The terms “new house” and “new housing” used throughout this info sheet refer to an affixed residential complex that is newly constructed or substantially renovated and supplied by a builder (as defined for GST/HST purposes), and includes the building and land portions of the housing unless otherwise indicated. The terms also refer to certain mobile homes affixed to land and to a newly constructed addition to an existing multiple unit residential complex (for example, a new addition to an apartment building or a nursing home). The terms do not apply to floating homes.

Housing that has been substantially renovated is generally given the same treatment under the B.C. transition tax and the B.C. transition rebate as newly constructed housing. Extensive modifications must have been made to the housing in order to meet the definition of a “substantial renovation” for these 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*.

Grandparented taxable sales

Special rules apply to sales of certain new housing referred to under the B.C. transition tax rules as “grandparented taxable sales”.

Under the transitional rules for implementing the HST in B.C., certain sales of single-unit housing and residential condominiums were “grandparented” (i.e., not subject to HST) where the written agreement of purchase and sale was entered into on or before November 18, 2009. If ownership and possession of such new housing transfer on or after April 1, 2013, the sale of the new housing is subject to the GST and the B.C. transition tax and not subject to the 7% provincial part of the HST.

Therefore, a grandparented taxable sale is a sale that is subject to the B.C. transition tax, but would have qualified for grandparenting from the 7% provincial part of the HST if the sale had been subject to the HST.

B.C. transition rebate – Overview

For a temporary period, the B.C. transition tax may apply, and the B.C. transition rebate may be available, where the GST applies (and the HST does not apply) on a sale of new housing or certain interests in new housing or a self-supply of new housing.

Where the construction or substantial renovation of housing begins before April 1, 2013, a builder will generally have claimed input tax credits (ITCs) in respect of the HST paid (including the provincial part of the HST) on the construction materials incorporated into the house to that point in time.

Recognizing that the HST does not apply to a sale of the housing or an interest in the housing or a self-supply of the housing where tax becomes payable after March 2013, the B.C. transition tax generally applies to the sale of the housing, an interest in the housing or a self-supply of the housing if:

- the construction or substantial renovation is at least 10% completed before April 1, 2013, and
- the GST in respect of the sale or self-supply becomes payable on or after April 1, 2013 and before April 2015.

The B.C. transition tax is generally calculated at 2% of the consideration payable for the sale or, in the case of a self-supply, 2% of the fair market value of the housing.

However, recognizing that a builder is not entitled to claim ITCs with respect to the PST paid on construction materials incorporated into the housing after March 2013, the B.C. transition rebate may be available where the B.C. transition tax applies and the construction or substantial renovation of the housing is not more than 90% completed immediately before April 1, 2013.

PST transitional new housing rebate vs. B.C. transition rebate

Generally, a PST transitional new housing rebate and a B.C. transition rebate are not both claimed in respect of the same housing.

The PST transitional new housing rebate is generally available only where **either** the HST **or** the federal transitional tax adjustment, which was introduced on the transition to the HST in B.C.,¹ applies to the sale of new housing and the remaining conditions for the rebate are met. In those circumstances, the B.C. transition tax does not apply to the new housing and a B.C. transition rebate is not available.

However, prior to February 17, 2012, in certain circumstances, a builder was eligible to claim a PST transitional new housing rebate before the HST on the sale became payable.² In those circumstances, a builder is permitted to make an application for the B.C. transition rebate even though a PST transitional new housing rebate has already been claimed in respect of the housing. In that event, the amount of the B.C. transition rebate to which the builder is eligible is reduced by the amount of the PST transitional new housing rebate already claimed.

General exclusions from the B.C. transition rebate

Before discussing the conditions that must be satisfied in order to be eligible for the B.C. transition rebate (see the section “eligibility conditions for the B.C. transition rebate”), there are circumstances in which the rebate is not available.

¹ More information on the transitional tax adjustment is available in GST/HST Info Sheet GI-095, *Harmonized Sales Tax: Information on the Transitional Tax Adjustment for Builders of Housing in Ontario and British Columbia*.

² More information on the PST transitional new housing rebate is available in GST/HST Info Sheet GI-096, *Harmonized Sales Tax: Provincial Transitional New Housing Rebates for Housing in Ontario and British Columbia*.

The B.C. transition rebate is not available for the sale of new housing, or the sale of an interest in new housing, made by a person who is not the builder of the housing.

The B.C. transition rebate is also not available for the sale of a new mobile home or a new floating home.

Finally, the B.C. transition tax does not apply to homes built by owners for their personal use (referred to as owner-built homes). Since the B.C. transition tax does not apply to owner-built homes, the B.C. transition rebate does not apply to owner-built homes. For purposes of this info sheet, an owner-built home does not include a home, the construction or substantial renovation of which is undertaken under circumstances that make the owner a “builder” for GST/HST purposes and that trigger a self-supply.

Qualifying interests in new housing

While the B.C. transition tax may apply to any type of interest in new housing, only “qualifying interests” are eligible for the B.C. transition rebate. A “qualifying interest” is **either**:

- (a) a fractional interest in a fee simple estate in the new housing (for example, a ½ undivided interest in a new condominium unit, house or apartment complex); or
- (b) the interest of a registered lessee, or of a leasehold tenant under a leasehold strata plan, under Part 12 [Leasehold Strata Plans] of the *Strata Property Act* (B.C.).

Who may claim the rebate?

The B.C. transition rebate is available to the builder of the new housing or addition. This is the case whether the builder or the purchaser is the party liable to pay the B.C. transition tax.

If two or more builders are jointly liable for the tax in respect of a self-supply of the housing or addition to the housing, only one of the builders may apply for, and be entitled to, the B.C. transition rebate. The legislation does not specify if or how the rebate is shared amongst the builders in the case of a self-supply.

In the case of a sale of new housing that is owned by two or more builders who each have an undivided interest in the new housing, each builder is entitled to

claim the B.C. transition rebate in respect of that builder's own qualifying interest, and each builder has to make its own separate application for the B.C. transition rebate in respect of its qualifying interest. In that case, the rebate of each builder is based on the portion of the total amount payable by the purchaser for the new housing that is attributable to that builder's qualifying interest.

Eligibility conditions for the B.C. transition rebate

Generally, the B.C. transition rebate is available where:

- the B.C. transition tax applies to the builder's sale of new housing or interest in new housing, or to the builder's self-supply of new housing;
- the PST has been paid on 90% or more of the PST-taxable materials incorporated into the housing after March 2013;
- the B.C. transition tax has been reported and remitted; and
- the "applicable percentage" of completion of the construction or substantial renovation (referred to as the applicable percentage of completion) of the housing (determined by the formula provided below) is not more than 90%.

Each of these conditions is addressed below.

Condition 1 – B.C. transition tax must apply

The B.C. transition rebate is available only where the B.C. transition tax applies to the builder's sale of new housing, or an interest in new housing, or to the builder's self-supply of new housing.

For an explanation of the circumstances in which the B.C. transition tax applies, who is required to pay the tax, and how it is calculated, refer to GST/HST Info Sheet GI-156, *Elimination of the Harmonized Sales Tax in British Columbia: British Columbia Transition Tax on New Housing*.

If the B.C. transition tax does not apply to the sale or self-supply, the B.C. transition rebate is not available, and the rest of this info sheet does not apply.

Example 1

A builder enters into a written agreement of purchase and sale for a detached house, the construction of which is less than 10% completed immediately before April 1, 2013. Ownership and possession of the house transfer, and the GST becomes payable, on or after April 1, 2013.

The sale is subject to the GST, rather than the HST, as tax is payable on or after April 1, 2013. However, the B.C. transition tax (which only applies where the degree of completion of construction or substantial renovation of the new housing is at least 10% before April 2013) does not apply to this sale. As a result, the B.C. transition rebate is not available.

Condition 2 – PST paid on 90% of materials

The PST must have been paid on 90% or more of the PST-taxable materials incorporated into the housing after March 2013.

This condition would not be satisfied if more than 10% of these materials are acquired by persons who, by virtue of another authority (such as section 87 of the *Indian Act*), are relieved from paying the PST at the point of sale or are entitled to a rebate, refund or remission of the PST they have paid on the materials.

Upon request, the builder must provide evidence to the CRA that this condition has been met. Where the PST has been paid by persons other than the builder, e.g., the builder's contractors and sub-contractors, such evidence would generally be a certification from the builder's contractors and sub-contractors that the PST has been paid in accordance with the *Provincial Sales Tax Act* (B.C.).

Condition 3 – B.C. transition tax reported

As a general rule, the B.C. transition tax must be reported and remitted by the builder (or by the agent of the builder where the builder and agent have made a joint election) in order for the builder to qualify for the B.C. transition rebate.

The B.C. transition rebate may be offset against the B.C. transition tax reported on the GST/HST return of the builder or the builder's agent, as the case may be,

and the net amount remitted, provided that the rebate application form is filed at the same time as that return.

A builder that is a “foreign supplier” (i.e., a non-resident supplier or a supplier that is resident only by virtue of having a permanent establishment in Canada) is not required to report and remit the B.C. transition tax unless the foreign supplier makes a grandparented taxable sale of new housing. Therefore, this condition that the builder (or its agent) must report and remit the B.C. transition tax does not generally apply where the builder is a “foreign supplier” who makes a taxable sale of new housing or of an interest in new housing. However, this condition applies in respect of a non-resident builder’s self-supply and in respect of a non-resident builder’s (i.e., foreign supplier’s) grandparented taxable sale of new housing.

Refer to GST/HST Info Sheet GI-156, *Elimination of the HST in British Columbia: British Columbia Transition Tax on New Housing*, for information about sales by an agent of the builder and reporting the tax.

Condition 4 – The applicable percentage of completion must be 90% or less

The applicable percentage of completion reflects the total of:

- the percentage of construction (if any) remaining to be completed after the GST becomes payable on the sale or self-supply of the housing or the sale of a qualifying interest in the housing, and
- the percentage of construction that was completed during the time that the HST was in effect.

It is calculated by means of the formula:

$$(100\% - A) + (B - C)$$

where

A is the degree of completion of the construction or substantial renovation of the housing as of the date the GST becomes payable on the sale or self-supply of the housing or the sale of the qualifying interest in the housing,

B is the degree of completion of the construction or substantial renovation of the housing immediately before April 1, 2013,

C is the degree of completion of the construction or substantial renovation of the housing immediately before July 1, 2010.

See the text immediately following Example 2 for information on determining the degree of completion of the construction or substantial renovation of the housing.

Where a condominium complex is constructed or substantially renovated, the degree of completion of each residential condominium unit in the complex is based on the degree of completion of the entire condominium complex. Where a residential condominium unit is being substantially renovated and the complex in which the unit is situated is not, the degree of completion is based only on that unit.

Example 2

A builder begins construction of a new house in January 2013. The construction is 20% completed immediately before April 1, 2013, and is 100% completed as of September 1, 2013. In July 2013, the builder and a purchaser enter into a contract of purchase and sale for the house for a total consideration of \$600,000 plus GST. Given the value of the consideration, the GST/HST new housing rebate is not available. Both ownership and possession of the house transfer to the purchaser under the agreement on September 30, 2013, at which time the GST on the sale becomes payable. The B.C. transition tax also applies to the sale.

Using the formula

$$(100\% - A) + (B - C)$$

where

A is the degree of completion of the construction or substantial renovation as of the date the GST becomes payable on the sale (September 30, 2013),

B is the degree of completion of the construction or substantial renovation immediately before April 1, 2013,

C is the degree of completion of the construction or substantial renovation immediately before July 1, 2010,

the applicable percentage of completion is 20%:

$$(100\% - 100\%) + (20\% - 0\%) = 20\%$$

The method used to determine the degree of completion of the construction or substantial renovation of the housing must be fair and reasonable.

GST/HST Info Sheet GI-105, *How to Determine the Percentage of Completion for Purposes of the Provincial Transitional New Housing Rebates and the Transitional Tax Adjustment in Ontario and British Columbia*, sets out methods for determining the degree of completion of housing. While these methods were outlined for purposes of the provincial transitional new housing rebate, the same methods are generally acceptable for determining the degree of completion of housing at specified points in time for purposes of the B.C. transition tax and B.C. transition rebate. Whatever method is chosen, that method must be used consistently when determining the degree of completion of housing at those specified points in time.

Calculating the B.C. transition rebate

Where a builder makes a sale of new housing or a qualifying interest in new housing that is subject to the B.C. transition tax, the B.C. transition rebate amount is generally based on

- the applicable percentage of completion,
- the corresponding B.C. transition rebate rate,
- the total consideration payable for the housing or interest (i.e., excluding the GST and rebates), and
- any PST transitional new housing rebate claimed by the builder in respect of the housing.

The B.C. transition rebate in respect of a grandparented taxable sale is calculated based on the amount equal to the consideration for the sale (i.e., excluding GST and rebates) divided by a factor of 1.02, since the amount payable by the purchaser is deemed to include the B.C. transition tax.

Where a builder is required to self-supply and pay the B.C. transition tax on new housing, the B.C. transition rebate amount is based on:

- the applicable percentage of completion,
- the corresponding B.C. transition rebate rate,
- the fair market value of the housing at the time of self-supply, and
- any PST transitional new housing rebate claimed by the builder in respect of the housing.

The following provides step-by-step instructions to determine the value of the B.C. transition rebate that may be claimed.

Step 1 – Calculate the applicable percentage of completion

Refer to the section above to calculate the applicable percentage of completion of the construction or substantial renovation of the housing.

Step 2 – Identify the corresponding rebate rate

The table in the appendix to this info sheet provides the various applicable percentage of completion thresholds and the rebate rate that applies to each of those thresholds. The rebate rate is used to determine the amount of the gross B.C. transition rebate.

Example 2 (cont'd)

In this example, the applicable percentage of completion is 20%, which falls in the “Less than 25%” threshold in the table provided in the appendix. Therefore, the rebate rate for Example 2 is 1.5%.

If the rebate rate is 0%, no B.C. transition rebate is available.

If the rebate rate for your housing is other than 0%, proceed to Step 3.

Step 3 – Determine the gross B.C. transition rebate amount

Depending on which scenario applies, i.e., whether a builder makes a non-grandparented taxable sale (the written agreement of purchase and sale is entered into after November 18, 2009), a grandparented taxable sale (as defined above) or a self-supply, a builder is required to use one of the following methods to calculate the gross B.C. transition rebate.

Scenario A – Builder’s non-grandparented taxable sale

Where a builder makes a taxable sale of a qualifying interest in new housing, or a taxable sale of new housing that is not a grandparented taxable sale, the gross B.C. transition rebate amount is determined by multiplying the total consideration payable for the

purchase of the new housing, or the interest, by the rebate rate identified in **Step 2**.

For purposes of the rebate calculation under this method, “total consideration” means the total of the following two amounts:

- the value of the consideration payable for the builder’s sale of the new housing or of a qualifying interest in the new housing as determined for GST/HST purposes,
- the sum of the value of the consideration for any taxable sale of any other interest (such as an option to purchase) in the new housing made by that builder to the purchaser in respect of which no B.C. transition rebate has been claimed.

The value of consideration as determined for GST/HST purposes means the consideration payable before any calculation of the GST/HST payable or any housing rebate entitlement for the purchaser.

Example 2 (cont’d)

In this example, the purchaser was required to pay \$600,000 plus GST, and no GST new housing rebate was available. The total consideration for the sale in this case is \$600,000. The rebate rate identified in Step 2 is 1.5%, so the gross B.C. transition rebate in Example 2 is \$9,000 ($\$600,000 \times 1.5\%$).

Example 3

A builder of a newly constructed detached house enters into a written agreement of purchase and sale for the house on May 15, 2010 for \$1,200,000, including HST. The B.C. new housing rebate is not paid or credited by the builder to the purchaser. Ownership and possession of the completed house transfer under the agreement on May 1, 2013. As such, the GST at 5% applies to the sale. Construction of the house is 10% completed immediately before July 1, 2010 and 85% completed immediately before April 1, 2013. No other interest in the house is sold by the builder to the purchaser. No PST transitional new housing rebate is claimed and none is available in respect of the house at the time of completion, as GST in respect of the sale of the house becomes payable on or after April 1, 2013. The B.C. transition tax applies to the sale. The purchaser is not required to pay the provincial part of the HST as originally reflected in the agreement of purchase and sale.

Step 1 – Applicable percentage of completion

Using the formula

$$(100\% - A) + (B - C)$$

where

A is the degree of completion as of the date the GST becomes payable on the sale of the housing (May 1, 2013),

B is the degree of completion immediately before April 1, 2013

C is the degree of completion immediately before July 1, 2010,

the applicable percentage of completion in this example is 75%:

$$\begin{aligned} & (100\% - 100\%) + (85\% - 10\%) \\ & 0\% + 75\% = 75\% \end{aligned}$$

Step 2 – Rebate rate

An applicable percentage of completion of 75% falls in the “Equal to or greater than 75% and not more than 90%” threshold in the table. The rebate rate is therefore 0.2%.

Step 3 – Gross rebate amount

The contracted selling price of \$1,200,000 included the HST, so it is necessary to determine the value of consideration payable (i.e., the amount payable before HST), as follows:

$$\begin{aligned} \text{Consideration} &= \text{selling price} \times 100/112 \\ &= \$1,200,000 \times 100/112 \\ &= \$1,071,429 \end{aligned}$$

The total consideration for the sale of the house is \$1,071,429 and the rebate rate identified in **Step 2** is 0.2%. Therefore, the gross B.C. transition rebate in this case is \$2,143 ($\$1,071,429 \times 0.2\%$). As no PST transitional new housing rebate was claimed in respect of the house, this is also the net B.C. transition rebate.

In this example, no PST transitional new housing rebate is claimed in respect of the housing. Therefore, the gross amount is the rebate amount that may be claimed by the builder and there is no need to proceed to Step 4.

Scenario B – Builder’s grandparented taxable sale

Under the special rules for grandparented taxable sales, the amount payable by the purchaser for the sale of the housing is deemed to include the B.C. transition tax. Therefore, the amount payable by the purchaser (before GST and rebate) must be divided by a factor of 1.02 to arrive at the amount that is treated as the consideration for the sale for purposes of calculating the B.C. transition tax and rebate.

The total consideration for a grandparented taxable sale is equal to the total of the following two amounts:

- the consideration (established in accordance with the preceding paragraph),
- the sum of the value of consideration payable by the purchaser to the builder for any other taxable sale of an interest in the housing (such as an option to purchase the housing) made by the builder to that purchaser for which no B.C. transition rebate has been previously claimed.

The total consideration for a grandparented taxable sale is then multiplied by the applicable rebate rate identified in **Step 2** to determine the gross B.C. transition rebate amount.

Example 4

Builder Corp makes a grandparented taxable sale of a new residential condominium unit for \$800,000, including GST. No GST new housing rebate is available as the consideration for the unit exceeds \$450,000. Construction of the condominium complex is 15% completed immediately before July 1, 2010, and 85% completed immediately before April 2013. The complex is registered as a condominium at the time ownership and possession of the unit transfer to the purchaser on May 31, 2013, by which time the construction is 100% completed. The B.C. transition tax applies to the sale. Builder Corp claimed a PST transitional new housing rebate of \$1,000 in respect of the unit in 2010.

Step 1 – Applicable percentage of completion

Using the formula

$$(100\% - A) + (B - C)$$

where

A is the degree of completion as of the date the GST becomes payable on the sale of the housing (May 31, 2013),

B is the degree of completion immediately before April 1, 2013

C is the degree of completion immediately before July 1, 2010

the applicable percentage of completion is 70%:

$$(100\% - 100\%) + (85\% - 15\%) \\ 0\% + 70\% = 70\%$$

Step 2 – Rebate rate

An applicable percentage of completion of 70% falls in the “Equal to or greater than 50% and less than 75%” threshold in the table. Therefore, the corresponding rebate rate is 0.5%.

Step 3 – Gross rebate amount

As the stated selling price of \$800,000 includes the 5% GST, it is first necessary to determine the amount payable before the GST at the time the written agreement was made.

$$\begin{aligned} \text{GST-excluded price} &= \text{stated selling price} \div 1.05 \\ &= \$800,000 \div 1.05 \\ &= \$761,904 \end{aligned}$$

Had the stated selling price reflected both the 5% GST and a GST new housing rebate paid or credited to the purchaser (e.g., had the consideration been less than \$450,000), the price before GST and rebate would have been determined using the formulas provided in GST/HST Memorandum 19.3.1.2, *Stated Price Net of Rebate – GST at 5%*.

Because this is a grandparented taxable sale, the consideration for purposes of the B.C. transition tax and rebate is \$746,965, calculated as follows:

$$\begin{aligned} \text{Consideration} &= \text{GST-excluded price} \div 1.02 \\ &= 761,904 \div 1.02 \\ &= \$746,965^3 \end{aligned}$$

³ Although the amount payable as consideration under the purchase and sale agreement was the correct value on which the GST was calculated at the time the written agreement was entered into, as a result of the application of the B.C. transition tax to grandparented taxable sales, that amount is deemed to include the 2% B.C. transition tax. Therefore, for purposes of the B.C. transition tax and B.C. transition rebate, that amount otherwise determined as the consideration must be divided by a factor of 1.02. That same resulting amount must now also be used to determine the GST collectible on such sales. See question and answer 75 to 77 in GST/HST Notice 276, *Elimination of the HST in British Columbia in 2013 – Transitional Rules for Real Property Including New Housing*, for details.

The rebate rate for the condominium complex, as identified in **Step 2**, is 0.5%. The gross B.C. transition rebate is \$3,734.83 ($\$746,965 \times 0.5\%$).

In this example, a PST transitional new housing rebate is claimed in respect of the housing. It is therefore necessary to proceed to **Step 4** to determine the net B.C. transition rebate amount.

Scenario C – Builder’s self-supply

Where a builder is required to pay the B.C. transition tax on a self-supply of new housing, the fair market value of the housing at the time of the self-supply is multiplied by the rebate rate identified in **Step 2** to establish the gross B.C. transition rebate amount.

Example 5

A builder begins construction of new rental housing in November 2012. Construction of the housing is 25% completed immediately before April 2013, and is 90% completed on December 1, 2013, the date the builder first transfers possession of a unit in the housing for its occupancy by an individual as a place of residence. The builder’s self-supply occurs on December 1, 2013, at which time the builder is deemed to have both paid and collected the GST and the B.C. transition tax, calculated on the fair market value (\$400,000) of the housing.

Step 1 – Applicable percentage of completion

Using the formula

$$(100\% - A) + (B - C)$$

where

A is the degree of completion as of the date the GST becomes payable on the self-supply of the housing (December 1, 2013),

B is the degree of completion immediately before April 1, 2013

C is the degree of completion immediately before July 1, 2010,

the applicable percentage of completion is 35%:

$$\begin{aligned} (100\% - 90\%) + (25\% - 0\%) \\ 10\% + 25\% = 35\% \end{aligned}$$

Step 2 – Rebate rate

An applicable percentage of completion of 35% falls in the “Equal to or greater than 25% and less than 50%” threshold in the table in the appendix to this info sheet. The rebate rate is therefore 1.0%.

Step 3 – Gross rebate amount

The fair market value of the housing at the time of the builder’s self-supply is \$400,000, and the rebate rate identified in **Step 2** is 1.0%. Therefore, the gross B.C. transition rebate is \$4,000 ($\$400,000 \times 1.0\%$).

If a PST transitional new housing rebate is claimed in respect of the housing, proceed to **Step 4** to determine the net B.C. transition rebate amount.

If no PST transitional new housing rebate is claimed, there is no amount to deduct from the gross B.C. transition rebate amount. The gross amount is the B.C. transition rebate amount that may be claimed by the builder.

Step 4 – Calculate the net B.C. transition rebate

This step is required in the case of new housing whose construction or substantial renovation is at least 10% completed before July 1, 2010, and the builder has claimed a PST transitional new housing rebate in respect of the housing.

To calculate the net B.C. transition rebate, subtract amounts already claimed as a PST transitional new housing rebate from the gross B.C. transition rebate established in **Step 3**. The net B.C. transition rebate is the amount that may be claimed by the builder.

For information on the PST transitional new housing rebate, refer to GST/HST Info Sheet GI-096, *Harmonized Sales Tax: Provincial Transitional New Housing Rebate for Housing in Ontario and British Columbia*.

Example 4 (cont’d)

A PST transitional new housing rebate of \$1,000 was claimed by the builder in respect of the unit, so that amount must be deducted from the gross B.C. transition rebate amount.

The net B.C. transition rebate for the grandparented sale of this residential condominium unit by Builder Corp is \$2,734.83 (\$3,734.83 – \$1,000).

Applying for the B.C. transition rebate

The procedure and deadline for claiming the B.C. transition rebate depend on who is required to report the B.C. transition tax: the builder, the agent of the builder or the purchaser.

Applying for the rebate where the builder is required to report the B.C. transition tax

Where the builder is the person required to report and remit the B.C. transition tax, the builder's application for the B.C. transition rebate must be filed no later than two years after the due date of the builder's GST/HST return for the reporting period in which the B.C. transition tax became payable on the sale or self-supply.

The builder is permitted to offset the B.C. transition rebate against the B.C. transition tax that must be reported on the builder's GST/HST return and remit the net amount owing on the return, provided the rebate application form is filed at the same time as the return.

Example 6

A GST/HST-registered builder makes a taxable sale of new housing on which the GST and the B.C. transition tax become payable by the purchaser on August 19, 2013. The builder is a quarterly filer, and is required to report the tax collectible on its GST/HST return for the reporting period July 1, 2013 to September 30, 2013. The due date for the return is October 31, 2013.

If the builder is eligible to claim the B.C. transition rebate, it must file its rebate application no later than October 31, 2015 (being the date that is two years after the due date for the builder's GST/HST return for the reporting period in which the B.C. transition tax becomes payable).

If the builder so chooses, the builder may offset the B.C. transition rebate against the B.C. transition tax reported on its GST/HST return provided the rebate form is filed at the same time as the return.

Example 7

A non-registrant builder of new rental housing is deemed to have self-supplied the housing on September 1, 2013, at which time the GST and B.C. transition tax become payable (and are considered to have been collected) by the builder. As a non-registrant, the builder is considered to be a monthly filer, and is required to report the tax on a non-personalized GST/HST return for the reporting period September 1, 2013 to September 30, 2013. The builder is required to file the return, and remit the tax due, on or before October 31, 2013.

If the builder is eligible to claim the B.C. transition rebate, the builder must file its rebate application no later than October 31, 2015.

If the builder so chooses, the builder may offset the B.C. transition rebate against the B.C. transition tax that must be reported on its GST/HST return. In that event, the builder must file the rebate application at the same time as the return.

Applying for the rebate where an agent is required to report the B.C. transition tax

Where the agent of the builder is the person required to report and remit the B.C. transition tax, the rebate application form must be filed no later than two years after the due date for the agent's GST/HST return for the reporting period in which the B.C. transition tax becomes payable.

Two options are available to the builder:

- Option A: The builder files its rebate application form and is paid directly by the CRA.
- Option B: The builder or the agent files the builder's rebate application form at the same time as the agent files its GST/HST return in which the B.C. transition tax in respect of that housing must be reported, and the agent offsets the builder's B.C. transition rebate against the B.C. transition tax reported by the agent. The agent remits the net amount owing on the return.

Example 8

A GST/HST registrant acts as agent in making a taxable sale of new housing on behalf of a builder. The agent and the builder make a joint election for the agent to report and remit the GST on the sale. As a result of the election, the agent is also required to report and remit the B.C. transition tax. The B.C. transition tax becomes payable by the purchaser on November 27, 2013. The agent is a monthly filer, is required to report the tax collectible on its return for the month of November 2013 and to remit the tax due on or before December 31, 2013.

If the builder is eligible to claim the B.C. transition rebate, the rebate application form must be filed no later than December 31, 2015 (being the date that is two years after the due date for the agent's GST/HST return for the reporting period in which the B.C. transition tax becomes payable).

However, if the builder chooses Option B above, the builder's rebate application form must be filed at the same time as the agent files its GST/HST return in which the agent reports the B.C. transition tax on the sale. The rebate amount deducted by the agent is deemed to have been paid to the builder, so the CRA does not issue a cheque to the builder.

Applying for the rebate where the purchaser is required to report the B.C. transition tax

Where the builder making the taxable sale of new housing or an interest in new housing is a foreign supplier and the sale is not a grandparented taxable

sale, it is the purchaser who is required to report and remit the B.C. transition tax.

In this event, the builder must file its rebate application form for the B.C. transition rebate no later than two years after the day on which the B.C. transition tax became payable by the purchaser of the new housing.

Example 9

A builder that is a foreign supplier makes a taxable sale of new housing on which the GST and the B.C. transition tax become payable by the purchaser on August 19, 2013. The sale is not a grandparented taxable sale. Because the builder is a foreign supplier, the purchaser, rather than the builder, is required to report and remit the tax directly to the CRA. The purchaser, whether a GST/HST registrant or a non-registrant, is required to report the tax on a GST/HST return, and file the return together with the amount due on or before the due date for that return as established for GST/HST purposes.

Provided the builder is eligible to claim the B.C. transition rebate, the builder must file its rebate application no later than August 19, 2015 (i.e., the date that is two years after the date the B.C. transition tax became payable by the purchaser).

By April 1, 2013, the B.C. transition rebate form RC7004-BC, *British Columbia Transition Rebate* will be available on the CRA Web site and the necessary changes to the electronically filed GST/HST return will be made.

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.

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

Appendix

Table: B.C. Transition rebate rate

Applicable percentage of completion of construction or substantial renovation	B.C. transition rebate rate applied to the total consideration ⁴ or fair market value to determine gross B.C. transition rebate ⁵
Less than 25%	1.5%
Equal to or greater than 25% and less than 50%	1.0%
Equal to or greater than 50% and less than 75%	0.5%
Equal to or greater than 75% and not more than 90%	0.2%
Greater than 90%	0%

⁴ Generally, the rebate rate is applied to the total of the consideration payable by the purchaser for the builder's sale of the housing or qualifying interest and, if applicable, the consideration for the builder's sale of any other taxable interest in the housing made to the purchaser. Refer to "Calculating the B.C. transition rebate" for more details.

⁵ The net B.C. transition rebate is calculated by subtracting amounts already claimed as a PST transitional new housing rebate from the gross B.C. transition rebate.