



GST/HST Memoranda Series

19.3.3 Rebate for Cooperative Housing

July 1998

Overview

An individual who purchases a share of the capital stock in a cooperative housing corporation may qualify for a GST/HST housing rebate under section 255 of the *Excise Tax Act* (the Act). A purchaser of capital stock in a cooperative housing corporation may also be eligible for a housing rebate when the corporation substantially renovates the complex, if the eligibility requirements are met.

Disclaimer

The information in this memorandum does not replace the law found in the *Excise Tax 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 a Canada Revenue Agency (CRA) GST/HST Rulings Centre for more information. These centres are listed in GST/HST Memorandum 1.2, *Canada Revenue Agency GST/HST Rulings Centres*. If you wish to make a technical enquiry on the GST/HST by telephone, please call the toll-free number 1-800-959-8287.

If you are located in the Province of Quebec, please contact Revenu Québec by calling the toll-free number 1-800-567-4692 for additional information.

Note

This section of Chapter 19, *Special Sectors: Real Property* supersedes paragraphs 28 to 31 in GST Memorandum 500-4-5, *Housing and Other Real Property Rebates*. Side-barring indicates significant changes.

Eligibility requirements

Cooperative housing corporation ss 123(1)

1. “Cooperative housing corporation” means a corporation that was incorporated, by or under a law of Canada or a province providing for the establishment of the corporation or respecting the establishment of cooperative corporations, for the purpose of making supplies by way of lease, licence or similar arrangement of residential units to its members for the purpose of their occupancy as places of residence for individuals where
 - (a) the statute by or under which it was incorporated, its charter, articles of association or by-laws or its contracts with its members require that the activities of the corporation be engaged in at or near cost after providing for reasonable reserves and hold forth the prospect that surplus funds arising from those activities will be distributed among its members in proportion to patronage,
 - (b) none of its members (except other cooperative corporations) have more than one vote in the conduct of the affairs of the corporation, and

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	(c) at least 90% of its members are individuals or other cooperative corporations and at least 90% of its shares are held by such persons.
Rebate cooperative housing s 255	2. An individual who purchases a share of the capital stock in a cooperative housing corporation may qualify for a GST/HST new housing rebate, if the following conditions are met:
Corporation pays tax	(a) the cooperative housing corporation pays the tax in respect of the acquisition of the whole complex or is required, as a builder, to pay tax under the self-supply rules in section 191 ¹ ;
Ownership transferred to individual	(b) the cooperative housing corporation makes a supply, and transfers ownership, of a share of the capital stock of the corporation to the individual;
Primary place of residence	(c) the share is purchased for the purpose of using a particular unit as the primary place of residence of the individual or a relation;
Consideration limit	(d) the total consideration for the share is less than \$481,500;
Previously unoccupied	(e) no one occupies the particular unit as a place of residence or lodging between the time construction or substantial renovation is substantially completed and the time that possession is given to the individual;
First occupant	(f) the individual or a relation of the individual is the first person to occupy the particular unit as a place of residence after possession of the unit is given to the individual ² ; and
Time limit ss 255(3)	(g) the rebate application is filed within the required time limit: <ul style="list-style-type: none">• where ownership of the share is transferred to the individual after June 1996, the rebate application must be filed within two years after ownership of the share is transferred; and• where ownership is transferred before July 1996, the rebate application must be filed within four years after ownership of the share is transferred.
Apply to Department	3. Note that the individual must apply directly to Revenue Canada for the rebate under section 255.

Footnote ¹

Because the cooperative housing corporation has paid tax in respect of the shares, there is no tax on a subsequent sale of a share. Consideration for the share would reflect the tax embedded in the cost of the complex to the corporation. For a discussion of section 191 and other self-supply provisions, see Section 19.2.3, *Residential Real Property—Deemed Supplies*.

Footnote ²

If the share is sold and ownership of the share is transferred by the individual prior to anyone having occupied the unit, the individual may still apply for the rebate and the resale of the share is exempt of tax. Note that if the individual rents the unit prior to making it the individual's primary place of residence, the rebate is not available.

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- If substantial renovation 4. The purchaser may be eligible for this rebate if a cooperative housing corporation substantially renovates a complex and the above conditions are met when the share is sold.
- If resale 5. If the share is sold to another individual before the purchaser occupies the unit, the initial purchaser may be eligible for a rebate if the other eligibility requirements are met.³ The sale of the co-op share is exempt.

Total consideration

- Amounts to include para 255(2)(d) 6. The housing rebate for cooperative housing is based upon the total consideration paid or payable for a supply to the purchaser of the share or an interest in the unit, complex or corporation and generally is similar to the amounts included in total consideration as determined for homes purchased from a builder together with the related land. Total consideration must not exceed \$481,500. For further information, see the discussion of total consideration in Section 19.3.1, *Rebate for Builder-Built Unit (Land Purchased)*.

Calculating the rebate

- Formulas paras 255(2)(g)and (h) 7. The formula for calculating the housing rebate is similar to the formula for purchased homes where the related land is leased. It is calculated as 2.34% of the total consideration to a maximum of \$8,750. The rebate gradually reduces to zero as total consideration increases from \$374,500 to \$481,500.

Footnote ³ In a situation where the individual resells the share, the individual must be able to demonstrate that there was, in fact, an intent to move into the unit as the primary place of residence of the individual or relation.

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Calculating the Cooperative Housing Rebate

Total Amount Paid	Rebate Calculation
\$374,500 or less	2.34% of the total amount paid to a maximum of \$8,750
More than \$374,500, but less than \$481,500	$A \times (\$481,500 - B) / \$107,000$ <p>where:</p> <p>A is the maximum rebate amount: \$8,750,</p> <p>and</p> <p>B is the total of amounts paid by the individual for the share or an interest in the corporation, complex or unit.</p>
\$481,500 or more	No rebate

Nova Scotia rebate

8. A rebate of part of the provincial component of the HST is available for qualifying purchases of shares in the capital stock of a cooperative housing corporation in Nova Scotia. For further information, see Section 19.3.8, *New Housing Rebates and the HST*.