



## Information about the GST and the 2% BC Transition Tax on new housing

October 2013 (Revision No.3)

With the elimination of the HST and the return to the PST and GST, the provincial government introduced a new tax on new residential home sales. The 2% BC Transition Tax will apply to all new homes that are 10% or more complete as of April 1, 2013.

**Note:** This information is current to October 2013 and has been verified with the Canada Revenue Agency, GST/HST Rulings Branch and the Provincial Ministry of Finance. However, we have been advised that the information could change depending on GST or PST rulings to come.

### GST on New Housing

The 5% Goods and Services Tax (GST) will apply to the sale of new residential homes in British Columbia, where ownership and possession take place on or after April 1, 2013.

### GST New Housing Rebate

Your client may be eligible for a GST rebate if they buy, as their primary residence, a new home priced up to \$450,000. The rebate is equal to 36% of the 5% GST paid on the first \$350,000 of the price of a new home. The GST rebate is phased out for homes priced between \$350,000 to \$450,000. New homes priced at \$450,000 and above receive no GST rebate.

Your client may be eligible for a GST rebate if they build their own home and if the fair market value of the home (not what it cost to build) is no more than \$450,000.

### GST New Rental Housing Rebate

Your client may be eligible for a GST rebate if they buy a new home priced up to \$450,000 to rent with a minimum one year lease in place. The rebate is equal to 36% of the 5% GST paid on the first \$350,000 of the price of a new home. The GST rebate is phased out for homes priced between \$350,000 to \$450,000. New rental homes priced at \$450,000 and above receive no GST rebate.

Your client may be eligible for a GST rebate if they build a home to rent, have a one year lease in place, and the fair market value of the home (not what it cost to build) is no more than \$450,000.

### PST

The 7% Provincial Sales Tax (PST) will not apply to sales of real property. The PST will apply to construction inputs that are used to construct or improve real property on or after April 1, 2013.

The PST does not apply to REALTOR® commissions and fees.

### 2% BC Transition Tax

The 2% BC Transition Tax is a new, temporary tax that will apply to the sale of new residential homes if :

- ownership and possession take place on or after April 1, 2013 and before April 1, 2015;
- the construction or substantial renovation of the new home is 10% or more complete as of 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 1, 2015.

The 2% tax ceases to apply if ownership and possession transfer on or after April 1, 2015. The BC government asserts the 2% reflects an embedded PST builders pay on materials (construction inputs). Under the HST, builders could write off that embedded 2%, but they cannot under the GST and PST.

### The 2% BC Transition Tax does NOT apply to:

- REALTOR® commissions.
- The sale of vacant land.
- The sale of new commercial units.
- The sale of a new home where construction began after April 1, 2013.
- The sale of a new home that was not 10% or more complete as of April 1, 2013.
- The sale of a new home that was 10% or more complete as of April 1, 2013, but where ownership and possession take place on or after April 1, 2015.

### 2% BC Transition Tax Rebate for Builders

The Transition Tax rebate for builders (sellers) recognizes that the builder will not be able to claim input tax credits on the PST paid on building materials acquired after March 31, 2013. The rebate is available where both of the following conditions are met:

- The 2% BC Transition Tax applies to the sale of new housing; and
- Construction or substantial renovation is at least 10%, but not more than 90%, complete before April 1, 2013.

The Transition Tax rebate for sellers of new housing will be calculated on the degree of completion of the housing as of April 1, 2013:

Degree of Construction Complete as of April 1, 2013	Transition Tax Rebate for Builders as a Percentage of Consideration or Fair Market Value
Less than 10%	Not applicable
10% ≤ and < 25%	1.5%
25% ≤ and < 50%	1.0%
50% ≤ and < 75%	0.5%
75% ≤ and < 90%	0.2%
90% or greater	0.0%

The Transition Tax rebate is not available for sales of manufactured building (e.g. mobile homes), floating homes and homes built by owners for their personal use (i.e. owner built homes).

## Determining the percentage of completion of construction or substantial renovation of a home

There are different methods a builder can use to determine the percentage of completion of construction. These are detailed in the Canada Revenue Agency's *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 (July 2010)*. See [Item #9](#) under Sources on page 5 of this fact sheet for the link.

In order to determine the percentage of completion of a home undergoing substantial renovation, the Canada Revenue Agency provides details in the *GST/HST Technical Information Bulletin B-092, Substantial Renovations and the GST/HST New Housing Rebate (January 2005)*. See [Item #15](#) under Sources on page 5 of this fact sheet for the link.

## Presales and Completed New Homes for Sale under the GST

The 12% Harmonized Sales Tax (HST) will generally cease to apply to sales of real property (including new residential real property) if ownership and possession of the property transfer on or after April 1, 2013. At that point the 5% GST will apply to the sale of new homes.

### Agreements signed before April 1, 2012, with possession on or after April 1, 2013, but before April 1, 2015

If your client buys a presale residential property and they have an agreement dated before April 1, 2012 and they take ownership and possession on or after April 1, 2013, they will not pay the 12% HST. Instead, buyers will pay the 5% GST. They will also have to pay the 2% BC Transition Tax on the full home price if the construction or substantial renovation of the new home is 10% or more complete as of April 1, 2013. If ownership and possession is on or after April 1, 2015 then the 2% tax is not applicable.

### Agreements signed on or after April 1, 2012, with possession on or after April 1, 2013, but before April 1, 2015

If your client buys a presale residential property and they have an agreement dated on or after April 1, 2012, and they take ownership or possession on or after April 1, 2013, they will not pay the 12% HST. Instead, buyers will pay the 5% GST. They will also have to pay the 2% BC Transition Tax on the full home price if the construction or substantial renovation of the new home is 10% or more complete as of April 1, 2013. If ownership and possession is on or after April 1, 2015 then the 2% tax is not applicable.

### Agreements signed on or after April 1, 2013, with possession on or after April 1, 2013, but before April 1, 2015

If your client buys a presale or completed new residential property and they have an agreement dated on or after April 1, 2013, and they take ownership and possession on or after April 1, 2013, they will have to pay the 5% GST. They will also have to pay the 2% BC Transition Tax on the full home price if the construction or substantial renovation of the new home is 10% or more complete as of April 1, 2013. If ownership and possession is on or after April 1, 2015 then the 2% tax is not applicable.

## Grandparented Agreements

### Agreements signed on or before November 18, 2009, or construction which began before July 1, 2010, with possession on or after April 1, 2013 (Double-straddling, grandparented)

Special transitional rules apply if your client has bought a presale residential property and they have an agreement dated on or before November 18, 2009, or construction began before July 1, 2010 (the HST start date in BC) and for which ownership and possession transfer on or after April 1, 2013 (the HST end date in BC). This is known as a double-straddling home sale. In this situation, your client will pay both the 5% GST and the 2% BC Transition Tax.

### Agreements signed after November 18, 2009, or construction which began before July 1, 2010, with possession on or after April 1, 2013 (Double-straddling, non-grandparented)

Special transitional rules apply if your client has bought a presale residential property and they have an agreement dated after November 18, 2009, and construction began before July 1, 2010 (the HST start date in BC) and for which ownership and possession transfer on or after April 1, 2013 (the HST end date in BC). This is known as a double-straddling home sale. In this situation, your client will pay both the 5% GST and the 2% BC Transition Tax. However, the 2% tax will not apply where construction was substantially completed before July 1, 2010 and the PST Transitional New Housing Rebate was not claimed by February 17, 2012.

## When is Tax Due Under a Presale Agreement?

The 5% GST and 2% BC Transition Tax (where applicable) is generally due when ownership and possession take place.

Under a pre-sale agreement, when a deposit is made, neither the 5% GST nor the 2% BC Transition Tax (where applicable) on the deposit amount is payable at the time the deposit is made. Rather the full amount of GST and BC Transition Tax owing is paid when the deal completes and when ownership and possession take place.

However, under a pre-sale agreement if partial payments are made following the deposit, but before ownership and possession occur, then both the 5% GST and the 2% BC Transition Tax (where applicable) must accompany the partial payments to the builder. Then when the deal completes and ownership and possession take place the remaining amount of the GST and BC Transition Tax (where applicable) is also paid.

As a rule of thumb, when the GST is payable, so too is the 2% BC Transition Tax (where applicable).

## New Addendums Required for the Contract of Purchase and Sale for New Housing

A vendor or seller of real estate (including a builder or an agent of the builder) that enters into a written agreement of purchase and sale on or after December 1, 2012 and before April 1, 2015 for newly constructed or substantially renovated housing in BC, or an interest in such housing, must use one of two Contract of Purchase and Sale of a New Home Addendums, in addition to the Contract of Purchase and Sale.

Use of one of the two addendums is mandatory starting December 1, 2012, as it is a requirement of the *New Housing Transition Tax and Rebate Act* and the *New Housing Transition Tax and Rebate Regulation*.

The two addendums are available on WEBForms™ under Printable Forms. There is a BCREA guide that addresses the addendums, and it is available on WEBForms™ under Guides.

To determine which of the two new addendums is applicable to a particular new housing transaction, you must determine whether or not the seller of the property is a “foreign supplier.” The two addendums are:

**1. Addendum for a Contract of Purchase and Sale that was signed on or after December 1, 2012, and before April 1, 2015, with ownership and possession before April 1, 2015, and the seller is a not a “foreign supplier”.**

**2. Addendum for a Contract of Purchase and Sale that was signed on or after December 1, 2012, and before April 1, 2015, with ownership and possession before April 1, 2015, and the seller is a “foreign supplier”.**

A “foreign supplier” refers to a non-resident of Canada who sells real estate in Canada. The non-resident is not required to collect tax on the transaction, and therefore the buyer is required to remit the applicable tax, GST and the 2% BC Transition Tax where applicable, directly to the government.

## Vacant Land

### GST paid on land

The 5% GST is applied to the sale of vacant land under the following circumstances:

- If the land is purchased from a developer.
- If the land was used for business purposes at any time in the past, even if the land was purchased from an individual.
- If the land was subdivided into more than two lots (three or more), even if the land was purchased from an individual.

### 2% BC Transition Tax and Vacant Land

The 2% BC Transition Tax does NOT apply to vacant land. The BC government asserts that this 2% tax reflects an embedded PST builders pay on construction materials.

## Commissions and Fees

If a commission or fee was payable before April 1, 2013 it was subject to the 12% HST. If a commission or fee is payable on or after April 1, 2013 then it is subject to the 5% GST.

### When does a commission become payable?

The standard Multiple Listing Contract provides that commission is payable on **the earlier** of the following:

- completion date under the Contract of Purchase and Sale; or
- the actual date that the sales completes.

### When to remit the GST on partial commission paid in advance of the deal closing

It depends on whether the partial commission received in advance is a deposit or a partial payment.

Developers offering homes for presale may choose to pay part of the commission to a REALTOR® in advance of the deal closing.

If the advanced payment is a deposit, then the developer does not have to include GST with the deposit amount. Instead, the developer will include the full amount of GST along with the remaining commission owing, when the deal closes.

If the advanced payment is a partial payment, then the developer does have to include GST with each partial payment amount. When the deal closes, the developer will pay the remaining commission and the remaining GST owing, for the REALTOR® to remit to the Canada Revenue Agency.

The REALTOR® is responsible for remitting the GST to the Canada Revenue Agency during the fiscal/reporting period in which they have received it. In the case of the partial payment(s) the REALTOR® will have to remit the GST to the Canada Revenue Agency during each of the fiscal periods in which they have collected the GST, i.e. with each partial payment and finally with the remaining payment when the deal closes.

In the case of a deposit, with no partial payments, then the REALTOR® will remit the GST collected to the Canada Revenue Agency during the fiscal period the deal closes (when the commission and GST is collected).

If the REALTOR® is unclear as to whether an advanced payment of their commission is a deposit or a partial payment, they can receive a ruling from the Canada Revenue Agency.

## Manufactured Buildings

Manufactured buildings include three types:

- **Manufactured portable buildings** (includes floating homes and commercial use buildings, e.g. construction site office)
- **Manufactured mobile homes**
- **Manufactured modular homes** (a prefabricated home that consists of multiple sections or modules that are joined together on site on a foundation to make a single building e.g. the PNE prize home)

### GST and New Manufactured Buildings

If your client wants to buy a new manufactured home, they will have to pay 5% GST on the full purchase price. When leasing a new manufactured building, the GST applies only to the lease of a new manufactured portable building that is for commercial use. The GST does NOT apply to the lease of a new manufactured building that is for residential use, e.g. a floating home or mobile home or modular home.

### PST and New Manufactured Buildings

Beginning April 1, 2013, the sale or lease of new manufactured buildings will also have 7% PST applied on a portion of the price of the building. The PST on these manufactured buildings will be eliminated on April 1, 2015, with the repeal of the *New Housing Transition Tax and Rebate Act*.

Depending on what type of manufactured building your client is purchasing or leasing, the 7% PST is applied on the following percentage of the purchase or lease price your customer pays:

- 45% - if it is a portable building,
- 50% - if it is a manufactured mobile home, or
- 55% - if it is a manufactured modular home.

**Example #1:** If your client buys a \$100,000 new mobile home, they will have to pay PST on 50% of the price. That is 7% PST

on \$50,000, which comes to \$3,500 ( $\$100,000 \times 50\% = \$50,000$ ). Note, the GST applies to the full purchase price. That is 5% GST on \$100,000, which comes to \$5,000. This home will be eligible for the GST rebate.

**Example #2:** If your client leases a \$30,000 new mobile home, they will have to pay PST on 50% of the price. That is 7% PST on \$15,000, which comes to \$1,050 ( $\$30,000 \times 50\% = \$15,000$ ). Note, the GST does NOT apply to a long-term lease of a manufactured building that is for residential use.

**Example #3:** If your client buys a \$250,000 new float home, they will have to pay PST on 45% of the price. That is 7% PST on \$112,500, which comes to \$7,875 ( $\$250,000 \times 45\% = \$112,500$ ). Note, the GST applies to the full purchase price. That is 5% GST on \$250,000, which is \$12,500. This home will be eligible for the GST rebate.

**Example #4:** If your client leases a \$25,000 new portable building to use as an office on a construction site, they will have to pay PST on 45% of the lease price. That is 7% PST on \$58,500, which comes to \$787.50 ( $\$25,000 \times 45\% = \$11,250$ ). Note, the GST applies to the full lease price because this manufactured building is for commercial use. That is 5% GST on \$25,000, which is \$1,250. This commercial building is NOT eligible for the GST rebate, as the GST rebate is for residential homes only.

### PST Transition Rule and Manufactured Buildings

If your client buys or leases a new manufactured home before April 1, 2013 for their residential use, and affixes it to land on or after April 1, 2013, it will be subject to the 7% PST on a portion of the purchase or lease price.

### 2% BC Transition Tax and New Manufactured Buildings

The 2% BC Transition Tax generally does NOT apply to the sale of new manufactured buildings that are for residential use. Note, it also does NOT apply to the sale of new manufactured buildings that are for commercial use, as the Transition Tax was only intended for residential homes.

There is an exception to this, where the 2% BC Transition Tax would apply and that is when a new manufactured building is affixed to land (not in a residential mobile home park) and both were offered for sale. In this case the GST and the 2% Transition Tax would apply, but the PST would NOT apply.

### Used Manufactured Buildings

If your client buys or leases a used manufactured building for residential use, then neither the GST nor the PST apply to the sale.

However, if your client buys or leases a used manufactured building for commercial use, then the GST does apply.

### Tangible Personal Property vs. an Improvement to Real Property

A manufactured building can be considered either tangible personal property or an improvement to real property.

A manufactured building is considered tangible personal property if it is sold or leased as a supply-only item, meaning that it is delivered to a site, but not affixed to land.

A manufactured building is considered an improvement to real property if it is installed or affixed to land.

In either case, whether tangible personal property or an improvement to real property the new manufactured building is taxed in the same way to the end user with the 7% PST applied to part of the sale or lease price and with the 5% GST applied to the full sale or lease price, where applicable.

## Important Dates

- **July 1, 2010** – Date the HST came into effect in BC.
- **February 17, 2012** – Date the 2% BC Transition Tax and the transition rules for the return from the HST to the PST and GST were announced by the BC government.
- **March 31, 2013** – HST end date.
- **April 1, 2013**
  - PST returns.
  - 2% BC Transition Tax on new homes comes into effect (where applicable).
  - GST on new homes is back in effect.
  - GST on commissions is back in effect.
  - PST on a portion of the price of manufactured buildings comes into effect.
- **March 31, 2015** – Date the 2% BC Transition Tax ends, and the PST on manufactured buildings ends.

## Sources

1. Provincial Return to the PST site: [www.gov.bc.ca/pst](http://www.gov.bc.ca/pst)
2. Provincial *New Housing Transition Tax and Rebate Act*: [www.bclaws.ca/EPLibraries/bclaws\\_new/document/ID/freeside/12031\\_01](http://www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/12031_01)
3. Provincial *New Housing Transition Tax and Rebate Regulation*: [www.bclaws.ca/EPLibraries/bclaws\\_new/document/ID/freeside/324\\_2012](http://www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/324_2012)
4. Provincial PST Bulletin No. 133, Manufactured Buildings (March 2013): [www.sbr.gov.bc.ca/documents\\_library/bulletins/pst\\_133.pdf](http://www.sbr.gov.bc.ca/documents_library/bulletins/pst_133.pdf)
5. Provincial PST Bulletin No. 104, Real Property Contractors (May 2013): [www.sbr.gov.bc.ca/documents\\_library/bulletins/pst\\_104.pdf](http://www.sbr.gov.bc.ca/documents_library/bulletins/pst_104.pdf)
6. Provincial PST Notice No. 2012-010, General Transition Rules for the Re-Implementation of the Provincial Sales Tax (February 2013): [www.sbr.gov.bc.ca/documents\\_library/notices/notice\\_2012-010.pdf](http://www.sbr.gov.bc.ca/documents_library/notices/notice_2012-010.pdf)

7. Canada Revenue Agency GST/HST Info Sheet GI-081, Harmonized Sales Tax: Information on Owner-built Homes, Mobile Homes and Floating Homes in British Columbia (June 2010): [www.cra-arc.gc.ca/E/pub/gi/gi-081/README.html](http://www.cra-arc.gc.ca/E/pub/gi/gi-081/README.html)
8. Canada Revenue Agency GST/HST Info Sheet GI-091, Harmonized Sales Tax: Information for Landlords of New Rental Housing (June 2010): [www.cra-arc.gc.ca/E/pub/gi/gi-091/gi-091-e.pdf](http://www.cra-arc.gc.ca/E/pub/gi/gi-091/gi-091-e.pdf)
9. Canada Revenue Agency 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 (July 2010): [www.cra-arc.gc.ca/E/pub/gi/gi-105/README.html](http://www.cra-arc.gc.ca/E/pub/gi/gi-105/README.html)
10. Canada Revenue Agency GST/HST Info Sheet GI-132, Builder Information Requirements for the Transition Period (December 2012): [www.cra-arc.gc.ca/E/pub/gi/gi-132/README.html](http://www.cra-arc.gc.ca/E/pub/gi/gi-132/README.html)
11. Canada Revenue Agency GST/HST Info Sheet GI-156, British Columbia Transition Tax on New Housing (March 2013): [www.cra-arc.gc.ca/E/pub/gi/gi-156/README.html](http://www.cra-arc.gc.ca/E/pub/gi/gi-156/README.html)
12. Canada Revenue Agency GST/HST Info Sheet GI-157, British Columbia Transition Rebate for Builders of New Housing (March 2013): [www.cra-arc.gc.ca/E/pub/gi/gi-157/README.html](http://www.cra-arc.gc.ca/E/pub/gi/gi-157/README.html)
13. Canada Revenue Agency GST/HST Notice No.276, Transition Rules for Real Property Including New Housing (May 2013): [www.cra-arc.gc.ca/E/pub/gi/notice276/README.html](http://www.cra-arc.gc.ca/E/pub/gi/notice276/README.html)
14. Canada Revenue Agency GST/HST Memoranda Series 19.4.1, Commercial Real Property - Sales and Rentals (August 1999): [www.cra-arc.gc.ca/E/pub/gm/19-4-1/README.html](http://www.cra-arc.gc.ca/E/pub/gm/19-4-1/README.html)
15. Canada Revenue Agency GST/HST Technical Information Bulletin B-092, Substantial Renovations and the GST/HST New Housing Rebate (January 2005): [www.cra-arc.gc.ca/E/pub/gm/b-092/README.html](http://www.cra-arc.gc.ca/E/pub/gm/b-092/README.html)
16. Canada Revenue Agency GST/HST Guide RC4231, New Residential Rental Property Rebate (March 2013): [www.cra-arc.gc.ca/E/pub/gp/rc4231/README.html](http://www.cra-arc.gc.ca/E/pub/gp/rc4231/README.html)
17. BCREA's web site for HST/PST transition information at: [www.bcrea.bc.ca/government-relations/hst-pst-resources/pst-transition-rules](http://www.bcrea.bc.ca/government-relations/hst-pst-resources/pst-transition-rules)
18. For questions about the GST call Canada Revenue Agency's GST/HST ruling line: 1.800.959.8287
19. For questions about the *New Housing Transition Tax and Rebate Act* call Canada Revenue Agency at: 1.800.959.5525
20. For questions about the 2% BC Transition Tax: BC Ministry of Finance: 1.877.388.4440 and/or Canada Revenue Agency: 1.800.959.8287

**If you have questions, please contact Harriet Permut, Manager, Government Relations at: [hpermut@rebgv.org](mailto:hpermut@rebgv.org)**