



Proposed GST/HST Rate Reduction in 2008

On October 30, 2007, the Government of Canada announced a reduction in the GST rate from 6% to 5%, effective January 1, 2008. This follows a reduction a year ago from 7% to 6%.

There are a number of transition rules for GST as it relates to real estate. We have attempted to simplify those rules below. For a full explanation, please visit the information bulletin published by the Federal Government, which can be found at <http://www.cra-arc.gc.ca/E/pub/gi/notice226/README.html>

Remember that GST only applies to the purchase of a new or substantially renovated property. If the property is a used residential property, there is no GST payable.

There are 3 different situations, depending when the Contract of Purchase and Sale (the "Contract") was signed.

1. If the Contract is dated between Oct. 31, 2007 and December 31, 2007, and ownership and possession are transferred on or after January 1, 2008, GST is paid at 5%.
2. If the Contract is dated between May 3, 2006 and Oct. 31, 2007, and ownership and possession are transferred on or after January 1, 2008, GST is paid at 6%. The clients are eligible for a 2008 GST Transitional Rebate for the 1% GST, and this rebate is applied for after closing.
3. If the Contract is dated prior to May 3, 2006, and ownership and possession are transferred on or after January 1, 2008, GST is paid at 7%. The clients are eligible for GST Transitional Rebates to account for both the 2006 reduction and the 2008 reduction, and these rebates are applied for after closing.

GST Transitional Rebate

To claim the GST Transitional rebate for the 2008 GST rate reduction, the 2006 GST rate reduction, or both, the person purchasing a new or substantially renovated residential complex must send a completed application form together with a copy of the contract, the Statement of Adjustments and, if applicable, a copy of the GST new housing rebate or new residential rental property rebate to the CRA.

Form GST193, [GST/HST Transitional Rebate Application for Purchasers of New Housing](#), can be used to claim the transitional rebate in respect of the 2006 GST/HST rate reduction. This application form will be revised to also include the transitional rebate for the 2008 GST rate reduction. The revised application form will be available on the CRA Web site or by calling 1-800-959-2221.

The GST/HST 2008 transitional rebate can only be claimed in 2008 after all of the conditions for claiming are met. For example, a person may only claim a transitional rebate after both ownership and possession of a new residential complex are transferred to the person. Generally, a transitional rebate application and the required documents must be sent to the CRA within two years after the day ownership of the residential complex is transferred to the person. Remember,

the GST transitional rebate is not conditional on receiving a new housing rebate, nor is it subject to any maximum purchase or fair market value limitation.

The Federal Government has published the following tables to help illustrate the transitional rules for purchases of new or substantially renovated residential complexes from a builder.

Purchase and sale agreement entered into before May 3, 2006

Ownership transferred	Possession transferred	Rate of tax	2006 transitional rebate	2008 transitional rebate
Before July 1, 2006	Before July 1, 2006	7%	No	No
Before July 1, 2006	After June 30, 2006	7%	No	No
After June 30, 2006	Before July 1, 2006	7%	No	No
After June 30, 2006 and before January 1, 2008	After June 30, 2006 and before January 1, 2008	7%	Yes	No
After June 30, 2006 and before January 1, 2008	After December 31, 2007	7%	Yes	No
After December 31, 2007	After June 30, 2006 and before January 1, 2008	7%	Yes	No
After December 31, 2007	After December 31, 2007	7%	Yes	Yes

Purchase and sale agreement entered into after May 2, 2006 and before October 31, 2007

Ownership transferred	Possession transferred	Rate of tax	2006 transitional rebate	2008 transitional rebate
Before July 1, 2006	Before July 1, 2006	7%	No	No
Before July 1, 2006	After June 30, 2006	7%	No	No
After June 30, 2006	Before July 1, 2006	7%	No	No
After June 30, 2006 and before January 1, 2008	After June 30, 2006 and before January 1, 2008	6%	No	No
After June 30, 2006 and before January 1, 2008	After December 31, 2007	6%	No	No
After December 31, 2007	After June 30, 2006 and before January 1, 2008	6%	No	No
After December 31, 2007	After December 31, 2007	6%	No	Yes

Purchase and sale agreement entered into after October 30, 2007

Ownership transferred	Possession transferred	Rate of tax	2006 transitional rebate	2008 transitional rebate
Before January 1, 2008	Before January 1, 2008	6%	No	No

Before January 1, 2008	After December 31, 2007	6%	No	No
After December 31, 2007	Before January 1, 2008	6%	No	No
After December 31, 2007	After December 31, 2007	5%	No	No