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INFORMATION ON HARMONIZED SALES TAX FOR RESIDENTIAL REAL ESTATE (Unique Properties)

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Does H.S.T. apply to vacation properties?

Yes!

If an individual purchases a **new** vacation property (including a substantially renovated property) that is to be used as a place of residence for that individual **or** lodging for individuals then it will generally be taxable. A **new** vacation property is one where there has been no occupancy as a place of residence or lodging before the purchase.

If an individual purchases a previously occupied vacation property, regardless of the type of prior use, H.S.T. will be payable if:

- 1) the Vendor has claimed input tax credit (“ITC”) for the H.S.T. paid or payable on the last acquisition of the property; or
- 2) the property has not been used primarily (more than 50%) as the Vendor’s place of residence and all or substantially all (90% or more) of the rentals of the property have been for periods of less than 60 days (for example, the property is included in a rental pool in a hotel-type establishment); or
- 3) the Vendor has used the property primarily for rental income or in making taxable short-term rentals.

If an individual purchases a previously occupied vacation property that was used by the Vendor and their family, was never rented out and the Vendor did not claim an ITC when the Vendor bought the vacation property, then H.S.T. will not be payable.

If an individual intends to purchase a vacation property for the purpose of making taxable short-term rentals, whether as part of a rental pool or otherwise, then they can register for H.S.T. prior to the purchase. If the individual is a registrant at the time the vacation property is purchased, an ITC may be available to offset some or all of the H.S.T. payable on the purchase of the property. On completion, the buyer would sign the applicable H.S.T. form confirming to the Vendor that they are a registrant and that they will account for any H.S.T. payable arising from the purchase. The Purchaser would not then need to

pay the H.S.T. to the Vendor but rather would claim an ITC on their first H.S.T. return.

The Purchaser may claim a full ITC for the H.S.T. payable on the purchase of the vacation property where the property is purchased for use exclusively ((90%) or more) in making taxable short-term rentals with minimal personal use. If the Purchaser subsequently changes the use to personal use, then they may be required to account for the H.S.T. in respect of this change in use. An individual who purchases a vacation property for use 50% or more, but less than 90%, in making taxable short-term rentals, may be entitled to claim an ITC for a portion of the H.S.T. payable on the purchase.

As a Purchaser of a **new** vacation property will typically not occupy the home as a principal residence or rent it out for 12 months or more to one tenant as their principal residence, neither the GST and BC New Housing Rebates nor the GST and BC New Residential Rental Rebates will be available.

Does H.S.T. apply to new mobile homes and floating homes?

Yes, for a purchase of a newly constructed or substantially renovated mobile home or floating home, 12% H.S.T. will apply on the purchase price of the mobile home or floating home but the Purchaser will be able to claim the various rebates, as applicable.

Does H.S.T. apply to the sale of vacant land by an individual?

Maybe (how is that for a definitive answer!!). Examples of when H.S.T. would be applicable include: 1) the sale of land that is capital property that had been used primarily in a business; 2) the sale of land in the course of a business; and 3) the sale of a parcel of land created by subdividing another parcel into more than two parts. The sale of land by an individual that had been kept for personal use would be exempt from H.S.T.

What is the B.C. PST Transitional Rebate?

An individual who buys a new or substantially renovated residential home may be entitled to claim a B.C. PST Transitional New Housing Rebate where the construction of the home straddled the July 1, 2010 H.S.T. implementation date and H.S.T. is payable on the purchase. The construction must have been at least 10% complete as of July 1, 2010 and the builder must certify the degree of completion of the construction as of July 1, 2010. The individual will be able to obtain the rebate from the builder or C.C.R.A. Generally, individuals/builders will have until July 1, 2014 to claim the rebate. Please note the PST Transitional New Housing Rebate is not available to individuals who buy mobile homes, floating homes or **residential condominiums**.

The rebate will be calculated based on the degree of completion of the construction of the housing as of July 1, 2010. If it was 90% or more complete, there would be a 100% rebate of the estimated PST embedded in the housing. If it was 75 to 89% complete, there would be a 90% rebate; for 50% to 74% completion, the rebate would be 75%; for 25% to 49% completion, the rebate would be 50%; and for 10% to 24% completion, the rebate would be 25%. There will be no rebate if it was less than 10% complete as of July 1, 2010. To determine the amount of PST embedded in the housing you have to choose one of 2 methods:

- 1) floor space methods: the total square metres of floor space completed in the housing multiplied by \$60.00; or
- 2) the consideration or fair market value method: 2% of the total consideration paid for the housing or, in certain situations, 2% of the fair market value of the housing.

Example:

An individual is buying for \$350,000 a newly constructed single detached home to live in which is at least 90% complete as of July 1, 2010. The contract was entered into after November 18, 2009 and completion and possession dates are July 2, 2010 and July 3, 2010 respectively. As a result, H.S.T. is payable at 12% of \$350,000 which equals \$42,000. The individual can claim a PST transitional new housing rebate of \$7,000 (using the consideration or fair market value method, $350,000 \times 2\% \times 100\%$), a B.C. new housing rebate of \$17,500 ($350,000 \times 7\% \times 71.43\%$) and a G.S.T. new housing rebate of \$6,300 ($350,000 \times 5\% \times 36\%$).

It should be noted that some builders have already adjusted the purchase price in the Contract with the PST Transitional Rebate and have inserted a clause in the Contract that states the Purchaser will assign their right to the PST Transitional Rebate to the builder and provide the signed rebate form on completion.

Where can I obtain more H.S.T. information?

For more information on H.S.T. see www.rev.gov.B.C..ca and/or phone Ministry of Finance at 1-877-388-4440 and see www.cra-arc.gc.ca/gncy/hrmnztn and/or phone the C.C.R.A. line 1-800-959 5525 or 1-800-959 8287 specifically for questions about transitional rules and H.S.T. rebates.