



## Harmonized Sales Tax: Ontario New Housing Rebate

The Government of Ontario is introducing a harmonized sales tax (HST) that will come into effect on July 1, 2010.

The HST rate in Ontario will be 13% of which 5% will represent the federal part and 8% the provincial part.

This info sheet reflects proposed tax changes announced in:

- the 2009 Ontario Budget, in Information Notice No. 2, *Helping Homebuyers and the Housing Industry with an Enhanced New Housing Rebate, A New Rental Housing Rebate and Transitional Rules* released by the Government of Ontario on June 18, 2009; and
- Information Notice No. 4, *Additional Information for Homebuyers and the Housing Industry under Ontario HST* released by the Government of Ontario on November 19, 2009.

Any commentary in this info sheet should not be taken as a statement by the Canada Revenue Agency (CRA) that the proposed transitional rules will be enacted in their current form.

This info sheet provides information for individuals who purchase new housing together with the land, new housing together with leased land, or qualifying shares in a cooperative housing corporation (housing co-op). It explains the new housing rebates that may be available where the HST applies to the purchase.

For information on new housing rebates available to individuals who build or substantially renovate, or hire someone else to build or substantially renovate, their own home, or who buy a new mobile or floating home, refer to GST/HST Info Sheet GI-082, *Harmonized Sales Tax: Information on Owner-built Homes, Mobile Homes and Floating Homes in Ontario*.

For information on new housing rebates available to landlords of newly constructed or substantially renovated housing in Ontario, refer to GST/HST Info Sheet GI-091, *Harmonized Sales Tax: Information*

*for Landlords of New Rental Housing*, and to GST/HST Info Sheet GI-093, *Harmonized Sales Tax: Ontario New Residential Rental Property Rebate*, which will be published soon.

Builders who sell newly constructed or substantially renovated housing in Ontario should refer to GST/HST Info Sheet GI-083, *Harmonized Sales Tax: Information for Builders of New Housing in Ontario*.

### New housing

The term “new housing” used throughout this info sheet refers to newly constructed or substantially renovated housing. Housing that has been substantially renovated is generally given the same treatment under the GST/HST as newly constructed housing. Extensive modifications must be made to the housing in order to meet the definition of a “substantial renovation” for GST/HST purposes. For a full explanation of the factors to consider in deciding if a substantial renovation has taken place, refer to GST/HST Technical Information Bulletin B-092, *Substantial Renovations and the GST/HST New Housing Rebate*.

### How will the HST apply?

Purchasers will generally be required to pay the HST when they purchase new housing if, under a written agreement of purchase and sale for the housing, **both** ownership and possession of the housing are transferred to the purchaser after June 2010.

For more information on the application of the HST to new housing and the exception for written agreements of purchase and sale that were entered into on or before June 18, 2009, refer to GST/HST Info Sheet GI-077, *Harmonized Sales Tax: Purchasers of New Housing in Ontario*.

La version française du présent document est intitulée *Taxe de vente harmonisée – Remboursement pour habitations neuves de l'Ontario*.



If the HST at 13% does not apply to your purchase of new housing, either because ownership or possession transfer to you before July 2010, or because an exception applies, this info sheet does not apply to you. The Ontario new housing rebate is not available if you do not pay the HST on your purchase of new housing.

### **GST/HST new housing rebate – Purchase of house and land**

An individual who purchases new housing together with land from a builder may be entitled to claim a GST/HST new housing rebate in respect of the GST, or the federal part of the HST, paid by the individual on the purchase.

The GST/HST new housing rebate is generally available if the individual purchases the new housing for use as the primary place of residence of the individual or a relative, the purchase price (not including the GST/HST) is less than \$450,000, and all of the other rebate conditions are met.

For information on all of the conditions for claiming this type of new housing rebate, refer to the section “Application Type 1A or 2: You bought the house and land from the same builder” in Guide RC4028, *GST/HST New Housing Rebate*.

### **Ontario new housing rebate - Purchase of house and land**

An individual who purchases new housing together with land from a builder may be entitled to claim an Ontario new housing rebate in respect of the provincial part of the HST paid by the individual on the purchase.

The rebate will be available if the individual:

- is entitled to claim a GST/HST new housing rebate in respect of the federal part of the HST; or
- would be entitled to claim that rebate if the purchase price of the housing were less than \$450,000.

The Ontario new housing rebate is equal to 75% of the 8% provincial part of the HST that the individual paid on the purchase of the new housing, up to a maximum rebate amount of \$24,000. The Ontario new housing rebate is available regardless of the purchase price provided that the individual meets all of the other conditions for claiming a

GST/HST new housing rebate. That is, there are no phase-out or maximum purchase price thresholds for the Ontario new housing rebate.

#### **Example 1**

Robert enters into a written agreement of purchase and sale for a new house located in Ontario on September 30, 2009. The purchase price is \$340,000 (i.e., before GST/HST and exclusive of any new housing rebates). Robert takes ownership and possession of the house, in accordance with the agreement, in August 2010. The sale of the house is subject to the HST at 13% (\$44,200).

If Robert meets all of the conditions for claiming the GST/HST new housing rebate in respect of the federal part of the HST, he would be entitled to claim an Ontario new housing rebate in respect of the provincial part of the HST for a total new housing rebate of \$26,520, calculated as follows:

#### **GST/HST new housing rebate**

Federal part of the HST paid  
= \$44,200 × 5/13  
= \$17,000

GST/HST new housing rebate  
= \$17,000 × 36%  
= \$6,120

#### **Ontario new housing rebate**

Provincial part of the HST paid  
= \$44,200 × 8/13  
= \$27,200

Ontario new housing rebate  
= \$27,200 × 75%  
= \$20,400

**Total new housing rebate**  
= \$6,120 + \$20,400  
= **\$26,520**

If the purchase price of Robert's home were \$450,000 or more, he would not be entitled to claim a GST/HST new housing rebate in respect of the federal part of the HST. However, as long as he met all of the other conditions for claiming the GST/HST new housing rebate, he would still be entitled to claim the Ontario new housing rebate in respect of the provincial part of the HST (to a maximum of \$24,000).

### **GST/HST new housing rebate – Purchase of house together with lease of land**

An individual who purchases new housing from a builder and leases the related land from that builder under the same written agreement to buy the housing may be entitled to claim a GST/HST new housing rebate, where the builder had to account for the GST/HST on the fair market value of the new housing (building and land).

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The GST/HST new housing rebate is generally available if

- the lease for the land gives the individual the option to buy the land, or is at least 20 years long,
- the individual purchases the housing for use as the primary place of residence of the individual, or a relative,
- the fair market value of the housing (building and land) is less than \$508,500, and
- all of the other rebate conditions are met.

For information on all of the conditions for claiming this type of new housing rebate refer to the section “Application Type 1B or 5: You bought the house and lease the land from the same builder” in Guide RC4028.

#### **Ontario new housing rebate - Purchase of house together with lease of land**

An individual who purchases new housing and leases the related land from the same builder may be entitled to claim an Ontario new housing rebate, where the builder had to account for the HST on the fair market value of the new housing (building and land).

The rebate will be available if the individual:

- is entitled to claim a GST/HST new housing rebate in respect of the federal part of the HST; or
- would be entitled to claim that rebate if the fair market value of the housing (building and land) were less than \$508,500.

The Ontario new housing rebate is equal to 5.31% of the price paid for the building part of a house on leased land, up to a maximum rebate amount of \$24,000. The Ontario new housing rebate is available regardless of the purchase price provided that the individual meets all of the other conditions for claiming a GST/HST new housing rebate. That is, there are no-phase out or maximum fair market value thresholds for the Ontario new housing rebate.

#### **Example 2**

On August 1, 2010, Sharon enters into a written agreement with a builder for the purchase of a new house located in Ontario and the lease of the related land for a 40-year term. The purchase price of the building part of the house is \$400,000, and the fair market value of the house and land when possession is transferred to Sharon is \$560,000.

Sharon is not entitled to claim a GST/HST new housing rebate in respect of the federal part of the HST as the fair market value of the house (building and land) exceeds \$508,500. However, if Sharon meets all of the other conditions for claiming the GST/HST new housing rebate, she would be entitled to claim an Ontario new housing rebate in respect of the provincial part of the HST calculated as follows:

**Ontario new housing rebate**  
= \$400,000 × 5.31%  
= \$21,240

#### **GST/HST new housing rebate – Purchase of a share in a housing co-op**

An individual who acquires new housing in a cooperative housing complex by purchasing a share in the housing co-op may be entitled to claim a GST/HST new housing rebate, where the co-op paid GST/HST on the acquisition of the new housing, or had to account for the GST/HST on the fair market value of the new housing (building and land).

For information on the conditions for claiming this type of new housing rebate refer to the section “Application Type 3: Co-operative housing” in Guide RC4028.

#### **Ontario new housing rebate - Purchase of a share in a housing co-op**

An individual who buys a share in a housing co-op may be entitled to claim an Ontario new housing rebate in respect of the provincial part of the HST, where the co-op paid HST on the acquisition of the new housing, or had to account for the HST on the fair market value of the new housing (building and land).

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The rebate will be available if the individual:

- is entitled to claim a GST/HST new housing rebate in respect of the federal part of the HST; or
- would be entitled to claim that rebate if the purchase price of the share were less than \$508,500.

The Ontario new housing rebate is equal to 5.31% of the price paid for the share, up to a maximum rebate amount of \$24,000. The Ontario new housing rebate is available regardless of the purchase price provided that the individual meets all of the other conditions for claiming a GST/HST new housing rebate. That is, there are no phase-out or maximum purchase price thresholds for the Ontario new housing rebate.

### Example 3

On June 1, 2010, Andrew enters into a written agreement to purchase a share in a housing co-op for \$425,000. Under the agreement, Andrew gets possession of a unit in the new co-op housing complex in Ontario on October 15, 2010. As a result of the self-supply rules, the housing co-op is required to account for the HST on the fair market value of the complex in September, 2010, and does so.

If Andrew meets all of the conditions for claiming the GST/HST new housing rebate in respect of the federal part of the HST, he would be entitled to claim an Ontario new housing rebate in respect of the provincial part of the HST calculated as follows:

**Ontario new housing rebate**  
= \$425,000 × 5.31%  
= \$22,567.50

### How to apply for the Ontario new housing rebate

The purchaser would apply for the Ontario new housing rebate by completing a provincial rebate schedule, RC7190-ON, *GST190 Ontario Rebate Schedule* that will form part of the GST/HST new housing rebate application, Form GST190, *GST/HST New Housing Rebate Application for Houses Purchased from a Builder*.

These forms can be used for all of the different types of rebates explained in this info sheet. The purchaser must complete both forms to apply for the rebate, even if the purchaser is only entitled to claim the Ontario new housing rebate. Line by line

instructions for completing these forms will be included in Guide RC4028.

The GST 190 Ontario Rebate Schedule and a revised GST/HST new housing rebate application will be available on the CRA Web site by July 1, 2010. The rebate application and the rebate schedule will also be available in Guide RC4028.

All forms necessary to claim a GST/HST new housing rebate are available on the CRA Web site at [www.cra.gc.ca/gsthstpub](http://www.cra.gc.ca/gsthstpub).

If two or more individuals purchase a house or a share of the capital stock of a housing co-op, each of the individuals must meet all of the eligibility conditions. However, only one of the individuals may apply for the rebate (that is, only one may be the claimant).

### Housing rebates paid or credited by builder

The purchaser and the builder may agree to have the builder pay or credit both the amount of the GST/HST new housing rebate and the Ontario new housing rebate to the purchaser (or only the Ontario new housing rebate if the purchaser is not entitled to claim the GST/HST new housing rebate because the maximum threshold for this rebate was exceeded).

The purchaser has to fully complete and sign both forms GST190 and RC7190-ON, and provide them to the builder of the new housing who will be required to send the rebate application to the CRA. The purchaser may not file any other rebate application directly with the CRA for this new housing.

A builder who pays or credits the amount of the rebate to a purchaser has to make sure that the purchaser meets all of the eligibility conditions for the rebate before the amount is paid or credited to the purchaser.

### Stated price net of rebates

If a purchaser of new housing together with the land agrees to pay the builder an amount for the new housing that includes the HST payable on the purchase net of any GST/HST new housing rebate and the Ontario new housing rebate that the purchaser is entitled to claim and that was credited to the purchaser by the builder, that amount is referred to as the “stated price net of rebates.”

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Where a stated price net of rebates is used, a calculation must be made to determine the value of the consideration payable for the housing. The value of the consideration must be calculated before the tax payable can be determined. Similarly, the tax payable must be calculated before the amount of the

rebates can be determined. Refer to GST/HST Info Sheet GI-085, *Harmonized Sales Tax: Stated Price Net of GST/HST New Housing Rebates in Ontario*, for details on the formulas used to calculate these various amounts

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 Centre 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 Centres. If you wish to make a technical enquiry on the GST/HST by telephone, please call 1-800-959-8287.

If you are located in Quebec and wish to make a technical enquiry or request a ruling related to the GST/HST, please contact Revenu Québec by calling 1-800-567-4692. You may also visit their Web site at [www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca) to obtain general information.

All technical publications related to GST/HST are available on the CRA Web site at [www.cra.gc.ca/gsthstech](http://www.cra.gc.ca/gsthstech).