
GST is collected on the sale prices of most goods and services; it does not apply to every type of home purchase or every form of real estate service.

Generally, new home purchases are subject to GST but may qualify for a GST rebate. Resale homes may be sold without GST. Land may be exempt from tax, but REALTORS® and other professionals must charge GST on the services they provide. There are exceptions to the general rules.

Sounds confusing? We hope this brief summary will help answer many of your questions.

Whether you are buying or selling a home, the Goods and Services Tax (GST) will probably apply to the transaction. With GST rebates and exemptions, figuring out its impact on your transactions can be confusing. REALTORS® are familiar with this GST and can help you understand how it works.

Honesty and Integrity

Most real estate professionals in our province are members of the Ontario Real Estate Association (OREA) and only members of OREA can call themselves REALTORS®.

When you work with a REALTOR®, you can expect strict adherence to provincial laws, which include a Code of Ethics. That code assures you will receive the highest level of service, honesty and integrity.

Highest Professional Standards

Before receiving a real estate registration, candidates must successfully complete an extensive course of study developed by OREA on behalf of the Real Estate Council of Ontario. That is only the beginning: in the first two years of practice, registrants are required to successfully complete three additional courses as part of their articling with an experienced broker. In addition, all registrants must continue to attend courses throughout their careers in order to maintain their registration.

Want More Information?

OREA has a 114-page book called *How to Buy Your Home* available free by calling 1-800-563-HOME. Check out homes for sale on the Internet at www.mls.ca.

Other pamphlets available:

- Buying a Home
- Selling a Home
- Home Insurance
- Home Ownership Incentives
- Marijuana Grow House Operations
- Working with a REALTOR®

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OREA Ontario
Real Estate
Association



**GST &
Real Estate**

GST and Your New Home

When you buy a newly constructed or substantially renovated house, condominium or townhouse from a builder, the entire purchase price, including land, is taxable. However, if the home is intended for use as a primary place of residence for yourself or a relation, you may qualify for the GST new housing rebate subject to the dollar limitations as discussed below. Your REALTOR® can explain how the Federal Government defines “substantially renovated.” You cannot claim the rebate for the purchase or construction of a cottage or an investment property. For certain residential rental properties, see comments below.

Homes Under \$350,000

For new homes costing \$350,000 or less, you may receive a rebate of 36% of the GST paid, to a maximum of \$7,560 if you paid the GST at 6%. That means you pay approximately 3.84% (not 6%) GST on the purchase price.

Example #1:

You buy a new home for \$150,000 and paid 6% GST thereon. The 6% GST is \$9,000, less a 36% rebate of \$3,240. So you pay \$5,760 in GST.

1. \$150,000 X 6% = \$9,000 (GST)
2. \$9,000 X 36% = \$ 3,240 (GST rebate)
3. \$9,000- \$3,240 = \$ 5,760 (Actual GST paid on the house)

Homes Between \$350,000 - \$450,000

The rebate for new homes costing between \$350,000 and \$450,000 declines to zero on a proportional basis, using the following formula (for GST paid at 6%):

$$\text{Rebate} = \$7,560 \times \frac{(\$450,000 - \text{Home Price})}{\$100,000}$$

Example #2:

You buy a new home for \$400,000 with GST charged at 6%. Your GST rebate is \$3,780 and the total GST owed is \$20,220.

1. \$400,000 X 6% = \$24,000 (GST)
2. \$7,560 X (450,000 - 400,000) / 100,000 = \$3,780 (GST rebate)
3. \$24,000 - \$3,780 = \$20,220 (Actual GST paid on the house)

Homes Over \$450,000

New homes purchased for \$450,000 or more do not qualify for the GST new housing rebate.

GST and Your Owner-Built Home

Buyers who purchase land separately may have to pay GST on the purchase price depending on the previous use of the land. If you built your home on your land or hire someone else to do so, you may qualify for the GST new housing rebate provided for owner-built houses. For more information, see Form GST191 *GST/HST New Housing Rebate Application for Owner-Built Houses*. You can download and print this form from Canada Revenue Agency’s (CRA) website at www.cra-arc.gc.ca/forms.

GST and Your New Residential Rental Property

If you buy a newly constructed or substantially renovated residential property or you build or substantially renovate a residential property, and intend to rent out the property on a long-term basis, you may qualify for the GST new residential rental property rebate. For more information regarding this rebate, see guide RC 4231 *GST/HST New Residential Rental Property Rebate*. You can download and print this form from CRA’s website at www.cra-arc.gc.ca.

GST Transitional Rebate

Effective July 1, 2006, GST rate is reduced from 7% to 6%. A GST transitional rebate is available to purchasers of a new home (which includes substantially renovated housing). You may be entitled to claim this rebate if the following conditions are met:

- you signed the purchase and sale agreement before May 3, 2006; and
- both ownership and possession are transferred to you after June 30, 2006.

For more information, see Form GST193 *GST/HST Transitional Rebate Application for Purchasers of New Housing*. You can download and print this form from CRA’s website at www.cra-arc.gc.ca/forms.

GST and the Resale Home

Generally, you do not have to pay GST on the purchase price of a previously occupied home (other than one that is “substantially renovated”). A resale of an individual’s personal residence and a resale of rental housing by a person other than a builder are normally exempt from GST. There are exceptions especially where the home was substantially used in business activities, in which case professional advice should be sought.

The qualification of property as a home is critical to the exempting provisions for residential real property. It is important to determine whether the sale of an entire property is exempt or whether part or all of the sale is taxable (or exempt under other non-residential exemptions). Owner-occupied housing is considered a home when it is used primarily as your residence. So, if you sell your home that includes a room used as an office, the entire home still qualifies for the GST exemption. However, if your home is not used mainly for residential purposes (e.g., a retail store with a small apartment upstairs), only the residential portion is exempt from GST on resale. The non-residential portion of the sale price is taxable. As with most taxes, there are exceptions to the GST rules regarding resale housing.

If you are planning to purchase a resale home, the seller can make a declaration on the deed stating that the property qualifies as “used” for GST purposes.

GST and the Real Estate Transaction

GST applies to most of the services provided in completing the real estate transaction. For example, 6% GST is applied to the commission a REALTOR® charges for facilitating a sale. The tax is paid by the person responsible for paying the commission – usually the seller.

REALTOR® commissions are taxable even if the sale of the property is exempt from GST. For example, if you sell a used home, the sale price is exempt from GST but the REALTOR®’s commission is still taxable.

GST also applies to many other services involved in the real estate transaction, such as fees for appraisals, referrals, surveys and legal assistance. One exception is that mortgage broker fees are exempt from GST if the fees are charged separately from other taxable real estate fees. Additionally, mortgages and interest on mortgages are GST exempt.

GST and Residential Rent

If you rent out a house, condominium unit or townhouse on a long-term basis, i.e., each lease lasts for at least a month, the rent will be exempt from GST. In other cases, professional advice should be sought with respect to whether a rent is subject to GST.

If you employ a REALTOR® or another professional to find and arrange a tenant for your rental property, GST applies to the fees and commissions they charge for providing this service. GST also applies to the fees charged to the landlord for property management, as well as repair and maintenance services. Monthly fees charged by condominium associations are not subject to GST.

GST and Commercial Rent

GST applies to most of the rentals of commercial real property with exceptions in limited circumstances. For instance, there is no GST on the rent paid to a landlord who is a “small supplier” (e.g. a person who is not required to collect GST).

When is GST payable?

Sale of Real Property: GST on a sale of real property, other than a residential condominium unit, is payable on the earlier of the day ownership is transferred (i.e., closing date) and the day possession is transferred under an agreement of purchase and sale.

Sale of Residential Condominium Unit: Tax is payable on the earlier of the day ownership is transferred and 60 days after the condominium complex is registered as a condominium.

Leases in Writing: The GST must be paid in full no later than the invoiced due date.

If payment of the service is before the due date, the GST must be paid in full at the time of payment for services rendered.

Your REALTOR® can answer your questions about the closing date and GST payments. For additional GST information, call CRA at 1-800-959-8281 or visit its website at www.cra-arc.gc.ca.