
NEWS RELEASE

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Ministry of Finance

PROVINCE INCREASES NEW HOUSING REBATE THRESHOLD

VICTORIA – The Province is proposing to increase the threshold for the B.C. HST new housing rebate from \$400,000 to \$525,000 to ensure that, on average, purchasers of new homes up to \$525,000 pay no more tax due to harmonization, Finance Minister Colin Hansen announced today.

“We heard the concerns from consumers and industry about how the HST might affect home buyers, and this increase will move the threshold to above the average new home price in the province. At \$26,250, this provides the highest maximum provincial rebate in Canada,” said Hansen. “A similar rebate will also support the construction or substantial renovation of affordable rental housing.”

Purchasers of new homes would be eligible for a rebate of 71.43 per cent of the provincial portion of the HST paid on a new home, up to a maximum of \$26,250. Homes above \$525,000 would receive a flat rebate of \$26,250. This enhanced rebate represents a 30 per cent increase in the threshold and maximum rebate available.

The Province is also proposing transitional rules for new housing. The provincial portion of the HST would not apply to sales of new homes where ownership or possession is transferred before July 1, 2010. In addition, sales of new homes under written agreements of purchase and sale entered into on or before Nov. 18, 2009, would generally not be subject to the provincial portion of the HST, even if both ownership and possession are transferred on or after July 1, 2010.

On July 1, 2010, British Columbia intends to adopt the HST, combining a seven per cent B.C. rate with the five per cent federal Goods and Services Tax. At 12 per cent, B.C. would have the lowest HST rate in Canada. It is estimated the HST would remove over \$2 billion in costs for B.C. businesses, including an estimated \$1.9 billion of sales tax removed from business inputs and an estimated \$150 million annually in compliance costs.

For more information on the proposed transitional rules for new housing, visit www.gov.bc.ca/hst.

BACKGROUND

THE ENHANCED NEW HOUSING REBATE, NEW RENTAL HOUSING REBATE AND TRANSITIONAL RULES FOR NEW RESIDENTIAL REAL PROPERTY

The Province is proposing an enhancement to the new housing rebate that was announced on July 23, 2009, and is proposing an enhancement to the new rental housing rebate. The Province is also proposing transitional rules for residential real property to provide information on the tax treatment of transactions that straddle the July 1, 2010 implementation date. The enhancement to the rebates and the transitional rules are described in more detail in the Tax Information Notice—Residential Housing: New Housing Rebates and Transitional Rules for British Columbia HST—HST Notice # 3.

Enhanced New Housing Rebate

The new housing rebate would be enhanced so that new homes purchased as a primary residence would receive a rebate of 71.43 per cent of the provincial component of the HST, paid up to a maximum of \$26,250.

As a result of the decision to enhance this proposed rebate, purchasers of homes priced up to \$525,000 would pay no more tax, on average, than under the current PST. Homes above \$525,000 would receive a flat rebate of \$26,250. This enhanced rebate represents a 30 per cent increase in the threshold and maximum rebate available.

Enhanced New Rental Housing Rebate

To support the construction or substantial renovation of affordable rental housing in B.C., the Province is proposing to provide an enhanced rebate for new rental housing, similar to the enhanced rebate for new homes.

The proposed rebate would be available for new rental housing, including investment properties to be rented out, for use as primary places of residence. This rebate would apply across all price ranges up to a maximum rebate of \$26,250. Similar to the B.C. enhanced new housing rebate, the enhancement of the new rental housing rebate would ensure that, on average, new rental housing up to \$525,000 would not be subject to any more tax due to harmonization than is currently embedded as PST in the price of new rental housing.

Transitional Rules for Residential Real Property

To help homebuyers and builders transition to the HST, transitional rules would be provided for new housing transactions that straddle the HST implementation date of July 1, 2010.

Generally, builders' sales of newly constructed or substantially renovated homes would be subject to the provincial component of the HST where both ownership and possession of the home are transferred after June 2010. Grandparenting would be provided for certain contracts.

The proposed transitional rules for new housing, including builder reporting and disclosure requirements, would be administered by the CRA.

Grandparenting

Generally, sales of new homes under written agreements of purchase and sale entered into on or before Nov. 18, 2009, would be grandparented, such that these sales would not be subject to the provincial component of the HST and would not be eligible for B.C.'s housing rebates.

Grandparenting would be provided for newly constructed or substantially renovated single unit homes, including detached homes, semi-detached homes, and attached homes.

Grandparenting would not apply to traditional apartment buildings, mobile homes (including modular homes) and floating homes, as the general transitional rules would apply differently to those homes. However, these homes may qualify for B.C. housing rebates.

Transitional Tax Adjustment

Builders would be able to recover the provincial component of the HST payable on most purchases, as under the federal GST, with limited exceptions. However, builders of grandparented homes would generally be required to pay an amount—a transitional tax adjustment—based on the home construction or substantial renovation completed as of July 1, 2010. The transitional tax adjustment for grandparented homes is intended to approximate the amount of PST—approximately two per cent—that would have been embedded in the price of the home, on average, under the current PST regime.

PST Transitional Housing Rebate

Newly constructed or substantially renovated homes completed in full or in part prior to July 1, 2010, would have PST embedded in the price of the home, since building materials used in the construction of the homes are subject to PST. For non-grandparented homes that are subject to the provincial component of the HST after June 2010 and for grandparented condominiums, a PST transitional housing rebate would be available to provide relief in respect of the PST embedded in the home.

For further information, please refer to Tax Information Notice #3:

http://www.sbr.gov.bc.ca/business/Consumer_Taxes/Harmonized_Sales_Tax/HST_Transitional_Rules.html.

Audio clips of Finance Minister Colin Hansen discussing the new housing rebate threshold are available online at www.mediaroom.gov.bc.ca/.

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