

G.S.T. ADVICE

The only simple aspect of goods and services tax and real estate is that it is payable on new and substantially renovated homes. When a buyer purchases a new home that is their principal residence, they will pay the G.S.T. It will either be included in the purchase price or it will be in addition to the purchase price, depending on the builders' pricing preference. Most new home buyers qualify for the new housing rebate on part of the G.S.T. paid. The rebate is influenced by the price of the new home. Currently the maximum purchase price eligible for the full rebate is \$350,000. It is pro-rated from \$350,000 to \$450,000. For homes over \$450,000 there is no rebate. This is a good subject to go over with your G.S.T. advisor.

There are many other scenarios. On properties that are not a buyers' principal residence the G.S.T. payment can be delayed. G.S.T. registrants can sometimes use their registration numbers and therefore not have to pay the G.S.T. at the outset. It is important to note this is only a delay of the payment, not an avoidance. Each new property will eventually be liable for the payment, possibly even by a future buyer.

If there is one aspect of taxation that can be excessively confusing, G.S.T. is it. Please, never ever buy real estate without getting independent and competent G.S.T. advice. I often encourage clients to get a second opinion if they have even the slightest hint that their advisor may be in error. This is one tax act that has so many rules and so many exceptions that it's not hard to misunderstand it.

So, who do you go to to get quality G.S.T. advice? Seek out a certified general accountant, chartered accountant or solicitor who specializes in goods and services tax. Be sure you outline the whole picture for them. An incomplete story can result in different tax advice. Part of that story is your personal position but the rest of it is the history of the property and the use of the property. Both its past and present history can influence the tax position.

I'm not giving specifics in this column as it is outside my field of expertise. Realtors have lots of training and education and in my own case, lots of experience. But we get only superficial G.S.T. education. So, we are not a good source for you in this regard. What we can often help with is to guide you where to go for good advice.

We can even offer assistance in suggesting the questions you need to ask of your G.S.T. advisor, so by all means have that discussion with your realtor, just don't confuse your realtor with being your tax advisor.

There is a comprehensive website at www.cra-arc.gc.ca It will help you in obtaining greater knowledge of the G.S.T. question, but there is no substitute for quality advice from a G.S.T. expert.

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