

GST AND REAL ESTATE

There is no Goods and Services payable on most used homes. No matter what type of new home you are buying, be it townhouse, apartment, single family home, duplex, etc., it will be subject to GST.

It is relevant to explore what the definition is of “used residential property”. It is one that has been occupied as a residence before you bought it. Used property can also mean a recently built home that is substantially complete and has been sold at least once before you buy it, regardless that it was never owner occupied.

Beware. There are some used homes that are classified as “new” for GST purposes. This category would include substantially renovated or heavily fire damaged homes that have been for the most part, re-built.

Another easy pitfall is homes that have been used by the previous owner for businesses such as daycare. The Buyer can find they are obligated to pay GST. So, ask appropriate questions when you are buying.

If it is a new home and it is to be your principal residence you are entitled to a partial rebate of GST. This rebate reduces your amount payable from 7% to about 4.48%, hence the term you see in ads, “including net GST”.

For a principal residence up to a maximum purchase price of \$350,000 you will be entitled to a rebate of 36% of the GST paid, to a maximum of \$8,750. This effectively reduces the tax down to that 4.48% level.

For homes over \$350,000 and under \$450,000 the tax rebate declines on a proportionate basis.

For example: If your purchase price is \$400,000, you are \$50,000 over and must reduce the maximum rebate by 50%. As such the maximum rebate of \$8,750 reduced by 50% equals \$4,375. Therefore the GST payable would be \$23,625. For a purchase price at \$450,000, the rebate is reduced by 100%, which means that you pay the full 7% GST on the purchase price.

If you are purchasing the new home to use as a rental property you must pay the full 7%. There are a few possible breaks on this subject though, if you are a GST registrant. Also, the GST may be an allowable tax write off. Best you check with an accountant who specializes in GST and income tax matters for proper advice on these more complicated issues.

A few dollars of GST are also payable on the other services that are associated with your real estate purchase. They apply to land registry fees, appraisal and home inspection fees, survey certificates etc.