The Real Impact of HST on the Buying and Selling of Property

Don R. Campbell

New System

	Old System	New System
BC	5% GST, 7% PST	12% HST

Good for Most Businesses but Real Estate Investors will Lose

- Planned to help economic recovery
- Expected to have severe impact on real estate industry
- Will make markets like Vancouver even less affordable

Increase in Taxes in the Real Estate Industry

- Purchase of a new home or new rental property
- All real estate transaction fees
- Renovations
- Maintenance
- Utilities

BC Taxes Associated with Buying Residential Property		
	Before July 1	**After July 1**
New Homes	5% GST	12% HST*
Previously Occupied Homes	No PST or GST	No Change
Legal Fees	5% GST, 7% PST	12% HST
Real Estate Commission	5% GST	12% HST

Residential Property Taxes

- Previously owned homes exempt
- New residential homes subject to full HST
  - Can apply for rebates to reclaim portion of HST

BC New Home HST Calculator		
Price of Home before GST and Property Transfer Tax	**$300,000**	
	PST System	*HST System*
Price before GST/HST and PTT	$300,000	$300,000
+ **GST / federal portion of HST (5%)**	$15,000	$15,000
+ **Provincial portion of HST (7%)**	$0	$21,000
- **Federal new housing rebate**	($5,400)	($5,400)
- **BC new housing rebate**	$0	($15,000)
+ **Property transfer tax**	$4,000	$4,000
= **Total new cost including taxes**	$313,600	$319,600
Difference in total new home cost	**1.9%**	

BC New Home HST Calculator		
Price of Home before GST and Property Transfer Tax	**$600,000**	
	PST System	*HST System*
Price before GST/HST and PTT	$600,000	$600,000
+ **GST / federal portion of HST (5%)**	$30,000	$30,000
+ **Provincial HST (7%)**	$0	$42,000
- **Federal new housing rebate**	$0	$0
- **BC new housing rebate**	$0	($26,250)
+ **Property transfer tax**	$10,000	$10,000
= **Total new cost including taxes**	$640,000	$655,750
Difference in total new home cost	**2.5%**	

New Home Rebate

- Only available for homes purchased as primary residences
- 71.43% of the provincial portion of the HST on a house that is $525,000 or less
- Maximum rebate of $26,250
- Homes over $525,000 will have remainder taxed at the full 12%

GST/HST New Housing Rebate

- 36% of GST portion of HST paid on new home, priced up to $350,000
- Maximum rebate of $6,300
- Rebate decreases for homes between $350,000 and $450,000
- Homes over $450,000 do not qualify for rebate

GST/HST New Housing Rebate

Purchase Price Below $350,000

0.36 X GST payable at 5 percent

Example

Purchase Price: $250,000

0.36 X $15,000

Rebate = $5,400

GST/HST New Housing Rebate

Purchase Price
Between $350,000 and $450,000

$$\frac{\$6,300 \times [\$450,000 - \text{the purchase price}]}{\$100,000}$$

Example

Purchase Price: $425,000

$$\frac{\$6,300 \times [\$450,000 - 425,000]}{\$100,000}$$

Rebate = **$1,575**

Are there any Rebates available for Rental Properties?

Yes.

New Rental Property Rebates

FOR RENT

- Same federal and provincial rebates as for new homes

New Rental Property Rebates

- New Residential Rental Rebate
  - 71.43% of provincial portion of HST on a house that is $525,000 or less
- GST NRR Rebate
  - Available for homes up to $350,000
  - Proportionately decreased between $350,000 and $450,000

How does the HST impact Real Estate Services?

SOLD PENDING
PAT STARNES
601-278-4513
FOR SALE
601.936.2007

Impact on Real Estate Services

- HST applies to many services that were PST exempt
  - Realtor's commissions
  - Accounting fees
  - Appraisal fees
  - Referrals
  - Legal Assistance

- Mortgage broker fees remain exempt
  - If the fees are charged separately from any taxable real estate commissions
- Mortgages are HST free

Impact of HST already felt

- Significant decrease in sales in both BC and ON in the months following the implementation of HST