



## eXner files

### The GST – What you need to know

When your client buys a newly constructed home, whether it's a single-family unit, a town-home or a condominium, the purchase price is taxable.

If your client plans to rent to tenants, the full seven per cent GST is charged on the purchase price.

If the home will be your client's primary residence, it may qualify for a partial GST rebate, depending on the sale price.

For homes costing \$350,000 or less, your client will receive a rebate of 36 per cent of the GST paid, to a maximum of \$8,750. That means your client will pay approximately 4.5 per

cent GST (not seven per cent) on the purchase price.

New homes selling for \$450,000 or more do not qualify for a GST rebate.

#### **GST and land**

Buyers of land may have to pay GST on the sale price depending on who owns the land and what it was used for. When your client builds a new home on your land, they will pay GST on the construction costs of the house, less any applicable rebate.

The rebate would be the same as for a new home. That is, when the total value of the land and home is \$350,000 or

less, the rebate would be 36 per cent of the GST paid on the building and the land to a maximum of \$8,750.

When the total value of the land and house exceeds \$350,000 but is less than \$450,000, a proportional formula for calculating the GST rebate applies.

As with other new home purchases, GST rebates are not available for land and buildings valued at \$450,000 or more when you build a house on your lot.

#### **GST and the resale**

Your client doesn't have to pay GST on the purchase price of a used residential home. The purchase is "exempt" from GST.

Canada Customs and Revenue Agency defines "used residential property" to include a previously occupied house, condominium, apartment, vacation property or non-commercial hobby farm. They refer to "used" as residential property occupied as a residence before you bought it.

Used property can also mean a recently built house that is substantially complete and has been sold at least once before you buy it. For example, if a new home is purchased and resold before being occupied, the home's resale price will normally be exempt from GST. An owner-occupied home is considered a residential property when it's used primarily as your residence. So, if your client is self-employed and purchases a resale home that includes a room used as an office, the entire home still qualifies for the GST exemption.

If an owner-occupied home is not used mainly for residen-

tial purposes (for example, a retail store with a small apartment upstairs), only the residential portion is exempt from GST on resale. The non-residential portion of the purchase price is taxable. If your client is planning to purchase a resale home, the seller can supply you with a certificate stating the property qualifies as "used" for GST purposes.

As with most taxes, there are exceptions to the GST rules regarding resale housing. For instance, most sales of real property by charities, non-profit organizations and other public service agencies are exempt from GST.

#### **GST and rent**

GST is not payable on residential rents. But if a client employs you to find and arrange a tenant for rental property, GST applies to the fees and commissions you charge for this service. GST also applies to the fees charged to the landlord for property management and repair and maintenance services. Monthly fees charged by condominium associations are not subject to GST.

#### **When is GST payable?**

GST is payable when the real estate transaction is completed at closing. In some cases, GST could be payable on transfer of possession.

For more information check out the Canada Customs and Revenue Agency web site at: [www.ccr-a-adrc.gc.ca](http://www.ccr-a-adrc.gc.ca)

*Source: Canada Customs and Revenue Agency; Alberta Real Estate Association*

#### **Your commission is taxable!**

**G**ST applies to most of the services provided in completing the real estate transaction. For example, seven per cent GST is applied to the commission you may charge. The tax is paid by the person responsible for paying the commission, usually the seller.

Realtor commissions are taxable even if the total GST owed is reduced by a rebate, or 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 your commission is still taxable.

GST applies to many other services involved in the real estate transaction. These include fees for appraisals, referrals, surveys and legal assistance. Again, GST is charged on these fees regardless of whether the house your client purchases is exempt from the tax.

One exception is that mortgage broker fees are exempt from GST if the fees are charged separately from any taxable real estate commissions. Additionally, mortgages and interest on mortgages are GST exempt.