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H.S.T. TRANSITIONAL RULES ANNOUNCED FEBRUARY 17, 2012

H.S.T. will be eliminated April 1, 2013 (yes, April Fool's Day). To help purchasers of new homes, the provincial government has announced transitional rules.

Effective April 1, 2012, buyers may be eligible for a provincial enhanced New Housing Rebate if they buy, as their primary residence, a home (as currently defined) priced up to \$850,000. The current threshold is \$525,000.

In addition, buyers may also be eligible for a provincial New Housing Rebate if they buy a secondary vacation or recreational home **outside** the Greater Vancouver and Capital Regional Districts priced up to \$850,000.

Buyers of new homes will be eligible for a rebate of 71.43% of the provincial portion of the HST paid on the new home up to a maximum rebate of \$42,500. Homes priced at more than \$850,000 will be eligible for a flat rebate of \$42,500.

Below are the typical scenarios.

If a buyer enters into an agreement dated on or before April 1, 2012 and they take ownership or possession on or before April 1, 2012, nothing changes. The buyer will pay the 12% HST and be eligible for a rebate of up to \$26,250 on homes priced to a maximum of \$525,000. Homes priced at more than \$525,000 are eligible for a flat rebate of \$26,250.

If buyers have entered into an agreement dated on or before April 1, 2012 and they take ownership or possession on or before April 1, 2013, they will pay the 12% HST and be eligible for a rebate of up to \$42,500 on homes priced to a maximum of \$850,000. Homes priced at more than \$850,000 are eligible for a flat rebate of \$42,500.

If a buyer purchases a presale residential property and they have an agreement dated on or before April 1, 2012 and they take ownership or possession on or after April 1, 2013, they will not pay the 7% provincial portion of the HST. Instead, buyers will pay a temporary transitional provincial tax of 2% on the full house price. This 2% reflects an embedded PST builders pay on materials.

If a buyer purchases a presale residential property and they have an agreement dated on or after April 1, 2012 and before April 1, 2013, and they take ownership and possession before April 1, 2013, they will pay the 12% HST and be eligible for a rebate of up to \$42,500 on homes priced to a maximum of \$850,000. Homes priced more than \$850,000 are eligible for a flat rebate of \$42,500.

If a buyer purchases a residential property and they have an agreement dated on or after April 1, 2012 but the construction of the home commenced before April 1, 2013, and they take ownership and possession after April 1, 2013, they will not pay the 7% provincial portion of the HST. Instead, buyers will pay a temporary transitional provincial tax of 2% on the full house price. This 2% reflects an embedded PST builders pay on materials.

If the Contract of Purchase and Sale is signed on or after April 1, 2013, with possession after April 1, 2013, only GST is applicable. The HST will generally cease to apply to sales of real property (including residential real property) if ownership and possession of the property transfer on or after April 1, 2013. This will be the case for sales of new housing, irrespective of whether the agreement of purchase and sale was entered into before April 1, 2013 or whether construction of the new housing began before April 1, 2013.

If a Contract of Purchase and Sale is signed on or before November 18, 2009, or construction began before July 1, 2010, with possession on or after April 1, 2013 special transitional rules apply. In this situation a Buyer will pay a 2% transition tax.

If a Contract of Purchase and Sale is signed after November 18, 2009, or construction began before July 1, 2010, with possession on or after April 1, 2013 the buyer will pay a 2% transition tax. However the 2% tax will not apply where construction has been substantially completed before July 1, 2010 and the PST Transitional New Housing Rebate has not been claimed as of February 17, 2012.

All the same rules apply to recreational property that apply to other residential property.

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