

## The Impact of the HST on the Cost of a New Home

On November 19, 2009, B.C. released amendments to the new housing rebate, which will affect builders and buyers of new homes in the province. New homes are taxable for GST/HST purposes, thus without enhanced rebates buyers of new housing would pay an additional 7% after the HST is implemented on July 1, 2010. To offset the increased tax burden to new home buyers, B.C. has proposed to provide qualifying buyers a rebate of the provincial portion of the HST equal to 5% of the home's purchase price, up to a maximum of \$26,500.

This is in addition to the existing GST new housing rebate currently available (for qualifying new homes with purchase price up to \$450,000) which will continue to be available on the federal portion of the HST.

The following summary illustrates the effect the HST and the federal and provincial new housing rebates will have on the cost of purchasing a new home, by comparing the end cost to the buyer after the HST is implemented, with that under the current system.

Current regime (GST at 5%)					Proposed regime (HST at 12%)						Effect % increase in new home price due to HST	
Price of Eligible New Home (not including GST)	GST New				Price of Eligible New Home (not including HST)	5% Federal		7% Provincial		Property Transfer Tax		Total Cost of New Home
	GST (5%)	Housing Rebate (Note 1)	Property Transfer Tax (Note 2)	Total Cost of New Home		Portion - New Housing Rebate (Note)	Portion - New Housing Rebate (Note)	Portion - New Housing Rebate (Note)	Portion - New Housing Rebate (Note)			
300,000	15,000	(5,400)	4,000	313,600	300,000	36,000	(5,400)	(15,000)	4,000	319,600	1.91%	
350,000	17,500	(6,300)	5,000	366,200	350,000	42,000	(6,300)	(17,500)	5,000	373,200	1.91%	
400,000	20,000	(3,150)	6,000	422,850	400,000	48,000	(3,150)	(20,000)	6,000	430,850	1.89%	
450,000	22,500	-	7,000	479,500	450,000	54,000	-	(22,500)	7,000	488,500	1.88%	
500,000	25,000	-	8,000	533,000	500,000	60,000	-	(25,000)	8,000	543,001	1.88%	
525,000	26,250	-	8,500	559,750	525,000	63,000	-	(26,250)	8,500	570,250	1.88%	
600,000	30,000	-	10,000	640,000	600,000	72,000	-	(26,250)	10,000	655,750	2.46%	
700,000	35,000	-	12,000	747,000	700,000	84,000	-	(26,250)	12,000	769,750	3.05%	
800,000	40,000	-	14,000	854,000	800,000	96,000	-	(26,250)	14,000	883,750	3.48%	
900,000	45,000	-	16,000	961,000	900,000	108,000	-	(26,250)	16,000	997,750	3.82%	
1,000,000	50,000	-	18,000	1,068,000	1,000,000	120,000	-	(26,250)	18,000	1,111,750	4.10%	
1,100,000	55,000	-	20,000	1,175,000	1,100,000	132,000	-	(26,250)	20,000	1,225,750	4.32%	
1,200,000	60,000	-	22,000	1,282,000	1,200,000	144,000	-	(26,250)	22,000	1,339,750	4.50%	
1,300,000	65,000	-	24,000	1,389,000	1,300,000	156,000	-	(26,250)	24,000	1,453,750	4.66%	
1,400,000	70,000	-	26,000	1,496,000	1,400,000	168,000	-	(26,250)	26,000	1,567,750	4.80%	
1,500,000	75,000	-	28,000	1,603,000	1,500,000	180,000	-	(26,250)	28,000	1,681,750	4.91%	

**Note 1:** A rebate of 36% of the GST (or federal portion of the HST) paid to a maximum of \$6,300 is available for qualifying property with a fair market value of \$350,000 or less. The rebate for property with a value greater than \$350,000 is ground down using a formula such that properties with a value greater than \$450,000 no longer receive a rebate.

Qualifying property includes newly constructed and substantially renovated homes used as a primary place of residence by an individual or a qualifying family member of an individual. A similar rebate is also available for new homes used as rental properties.

**Note 2:** Property transfer tax is collected as 1% on the first \$200,000 of fair market value (purchase price) and 2% on amounts over \$200,000.

**Note 3:** A rebate of 71.43% of the provincial component of the HST (5% of the purchase price) is available up to a maximum value of \$26,250 for qualifying property. Qualifying property includes newly constructed and substantially renovated homes used as a primary place of residence by an individual or a qualifying family member of an individual. A similar rebate is also available for new homes used as rental properties.