



CLEARING UP HST CONFUSION

BY BILL JOHNSTON



Bill Johnston is President of the Toronto Real Estate Board, a professional association that represents 30,000 REALTORS® in the

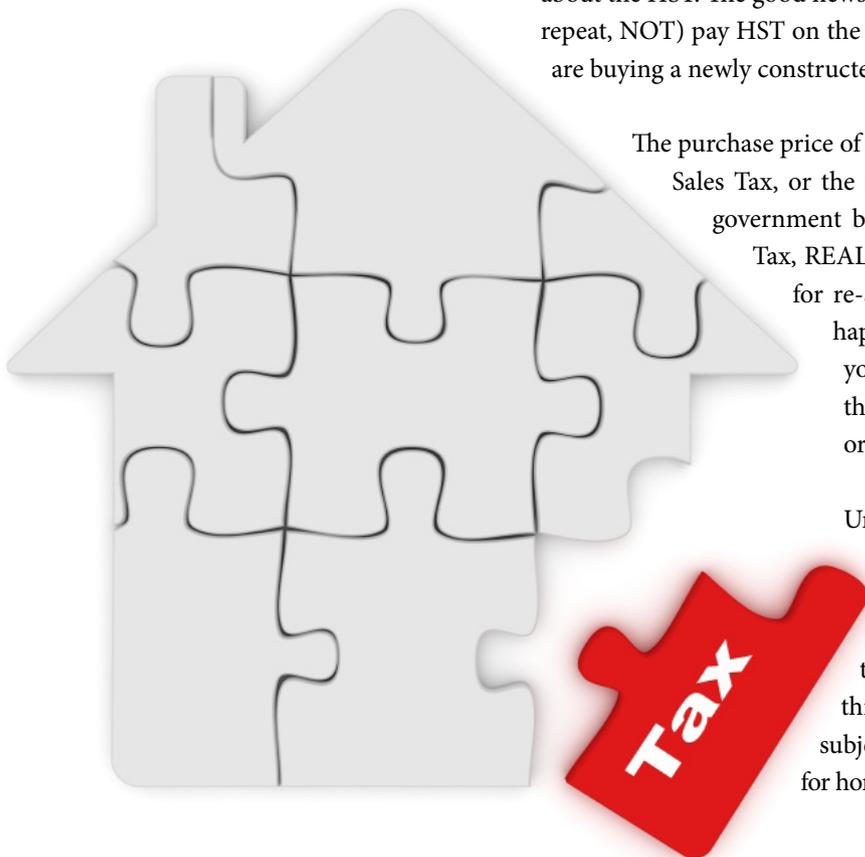
As the old saying goes, “time flies”, and it sure does feel that way about Ontario’s new Harmonized Sales Tax (HST), which has already been in effect for almost three months.

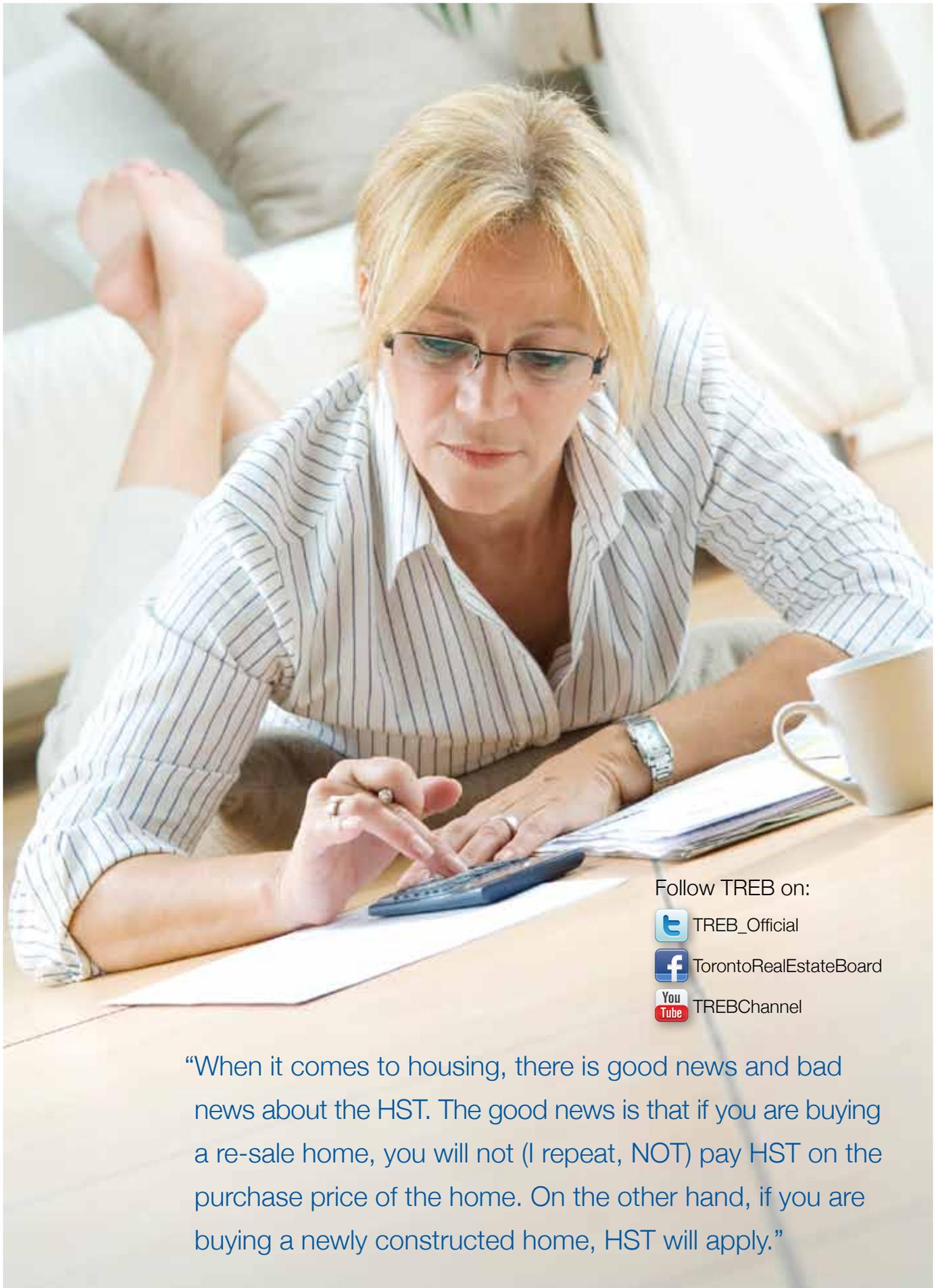
Even though consumers have been dealing with the HST since July 1st, it appears there is still confusion about its applicability to housing.

Allow me to clarify. When it comes to housing, there is good news and bad news about the HST. The good news is that if you are buying a re-sale home, you will not (I repeat, NOT) pay HST on the purchase price of the home. On the other hand, if you are buying a newly constructed home, HST will apply.

The purchase price of re-sale housing was never subject to the old Provincial Sales Tax, or the federal Goods and Service Tax. When the provincial government began considering implementing a Harmonized Sales Tax, REALTORS® fought hard to ensure that the old exemptions for re-sale housing were maintained, which is exactly what happened. As a result, if you are buying a re-sale home, you don’t have to worry about paying HST on the price of the home. That’s money that you can keep in your pocket, or use to keep mortgage costs down.

Unfortunately, the same is not true for home buyers of newly constructed homes, which are subject to additional tax under the HST. Newly constructed housing has always been subject to the GST, meaning thousands of dollars of tax for home buyers choosing this option. Now, with the HST, new housing is also subject to PST, meaning thousands of dollars in added costs for home buyers of new housing. ►





Follow TREB on:



TREB_Official

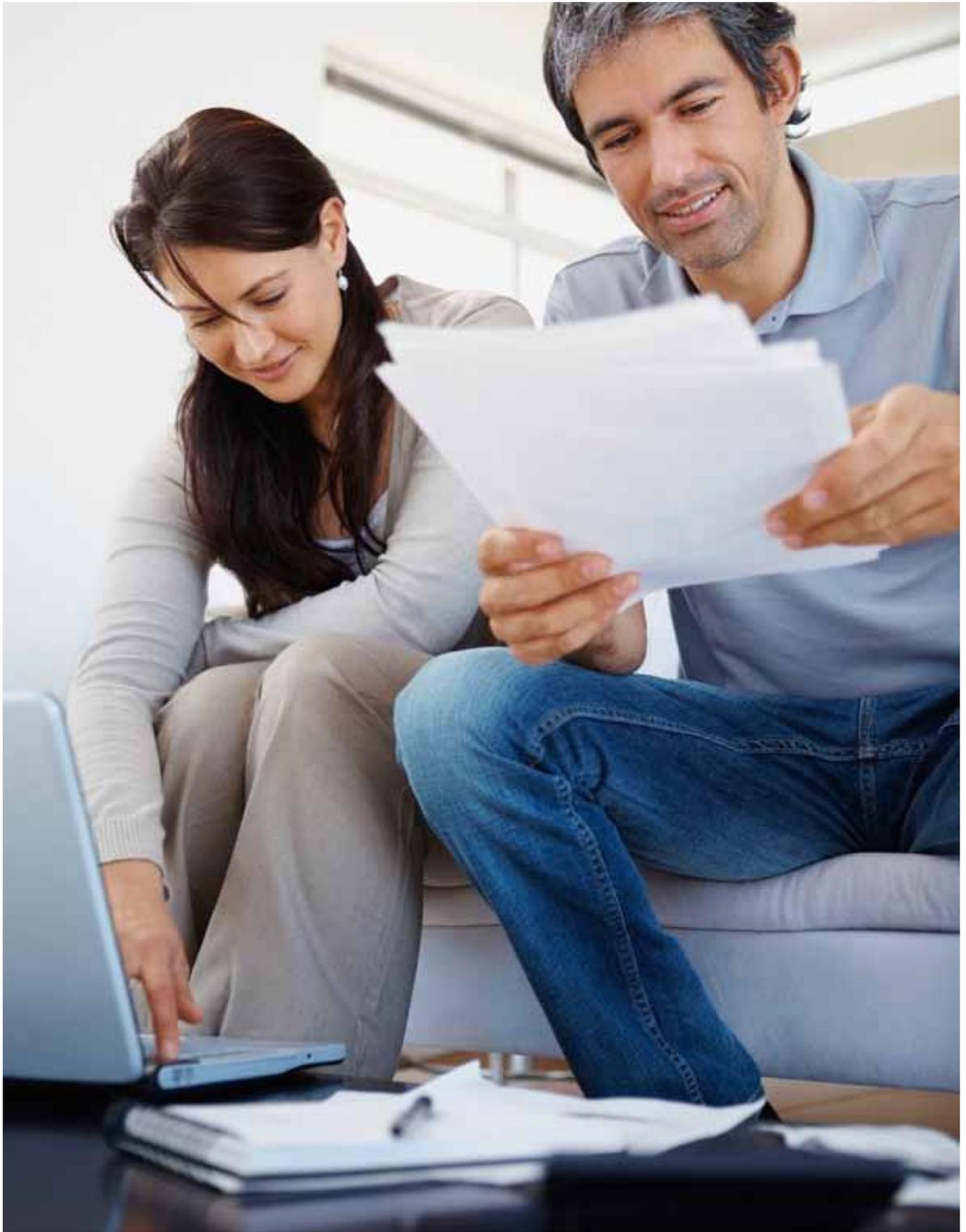


TorontoRealEstateBoard



TREBChannel

“When it comes to housing, there is good news and bad news about the HST. The good news is that if you are buying a re-sale home, you will not (I repeat, NOT) pay HST on the purchase price of the home. On the other hand, if you are buying a newly constructed home, HST will apply.”



“There is a silver lining for new housing: the provincial government provides a rebate of 75 per cent of the PST on the first \$400,000 of a newly constructed home, or a maximum of \$24,000.”

► There is a silver lining for new housing: the provincial government provides a rebate of 75 per cent of the PST on the first \$400,000 of a newly constructed home, or a maximum of \$24,000. For example, someone purchasing a new home priced at \$500,000 would face \$40,000 in additional tax from the provincial portion of the HST, which would be reduced to \$16,000 with the rebate. Obviously, the rebate softens the blow, but an extra \$16,000 of tax (in this example) for a newly constructed home is nothing to laugh at.

There is also encouraging news when it comes to real estate for businesses. Although the costs of purchasing or renting a commercial property are subject to HST, businesses are allowed to claim tax credits to offset these costs. Even better, when purchasing a commercial property, the business can claim the tax credits immediately so that no upfront costs are incurred for the HST, and cash flow is not impacted.

Taxes are not a topic that most people like to spend a lot of time thinking about, so I'm not surprised that there is still a lot of confusion out there about how the HST applies to housing. With that in mind, I hope I've helped to make the HST a little easier to understand, and, for home-buyers of re-sale housing at least, a little easier to swallow.

Your REALTOR® can also advise you on new home construction developments, which are plentiful in all three of the regions that comprise the picturesque 905 districts, where rolling hills are dotted with small lakes.

No matter what type of lifestyle appeals to you, you can count on your Greater Toronto REALTOR® to identify your many options and counsel you on with regard to all of the considerations when helping you find your next perfect home.

For more information on the many available options visit www.TorontoRealEstateBoard.com where you'll find GTA listings, plain language real estate forms, mortgage and land transfer tax calculators and more. ■

“There is also encouraging news when it comes to real estate for businesses. Although the costs of purchasing or renting a commercial property are subject to HST, businesses are allowed to claim tax credits to offset these costs.”

