



New Brunswick and Newfoundland and Labrador HST Rate Increases – Information for Non-registrant Builders

On February 2, 2016, and April 14, 2016, respectively, the Government of New Brunswick and the Government of Newfoundland and Labrador announced their intentions to increase the provincial part of the harmonized sales tax (HST) by two percentage points from 8% to 10%, effective July 1, 2016. This results in an increase in the HST rate from 13% to 15%.

On March 30, 2016, the Government of New Brunswick released transitional rules to determine the HST rate applicable to transactions that straddle the July 1, 2016, implementation date.

On May 3, 2016, the Government of Newfoundland and Labrador released transitional rules to determine the HST rate applicable to transactions that straddle the July 1, 2016, implementation date.

This info sheet provides information that reflects the application of those transitional rules, which have been enacted in the *Regulations Amending Various GST/HST Regulations, No. 8* (SOR/2016119).

This info sheet relates to supplies of new housing made in New Brunswick or Newfoundland and Labrador. If you are uncertain as to whether a supply is made in a participating province, refer to GST/HST Technical Information Bulletin B-103, *Harmonized Sales Tax—Place of Supply Rules for Determining Whether a Supply is Made in a Province*.

This info sheet outlines rules that apply to non-registrant builders of new housing in New Brunswick and Newfoundland and Labrador who are affected by the transitional housing measures, particularly the rules relating to the reporting of tax.

For the purposes of this info sheet, “non-registrant builder” means a builder who is not, and is not required to be, registered for GST/HST purposes. For more information on GST/HST registration requirements, refer to Guide RC4022, *General Information for GST/HST Registrants*.

Exempt sales and rentals of housing are not affected by the HST rate increases.

Definitions for GST/HST purposes (for example, builder, mobile home, floating home, residential complex, residential condominium unit, single unit residential complex, and substantial renovation) continue to apply, as do the Canada Revenue Agency’s current policies on the application of the GST/HST to housing. Guide RC4052, *GST/HST Information for the Home Construction Industry*, and GST/HST Info Sheet GI-005, *Sale of a Residence by a Builder Who is an Individual*, explore many of these important terms and concepts.

New housing

The term “new housing” used throughout this info sheet refers to newly constructed or substantially renovated housing. Housing that has been substantially renovated is generally given the same treatment under the GST/HST as newly constructed housing. Extensive modifications must be made to the housing in order to meet the definition of a “substantial renovation” for GST/HST purposes. For a full explanation of the factors to consider in deciding if a substantial renovation has taken place, refer to GST/HST Technical Information Bulletin B-092, *Substantial Renovations and the GST/HST New Housing Rebate*.

For additional information on the transitional rules for housing and other real property, refer to GST/HST NOTICE 298, *New Brunswick HST Rate Increase – Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in New Brunswick*, or GST/HST NOTICE 299, *Newfoundland and Labrador HST Rate Increase – Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in Newfoundland and Labrador*.



Taxable sales of new housing by a non-registrant builder

The sale of new housing by a builder is generally taxable even if the builder is a non-registrant. For more information, refer to Guide RC4052, *GST/HST Information for the Home Construction Industry*.

The HST at 13% applies to a taxable sale of new housing in New Brunswick or Newfoundland and Labrador if ownership **or** possession of the housing transfers to the purchaser **before** July 2016.

Generally, the HST at 15% applies to a taxable sale of new housing in New Brunswick or Newfoundland and Labrador if ownership **and** possession of the housing transfer to the purchaser **after** June 2016. For further details, refer to GST/HST Info Sheet GI-190, *New Brunswick and Newfoundland and Labrador HST Rate Increases – Sales and Rentals of New Housing*.

The builder of new housing is generally responsible for collecting and reporting the HST payable on the sale of new housing even if the builder is a non-registrant. However, there are some exceptions to the rule. This rule and its exceptions are explained in Guide RC4052, *GST/HST Information for the Home Construction Industry*.

Grandparented sales of new housing by a non-registrant builder

Certain taxable sales of new housing in New Brunswick or Newfoundland and Labrador that straddle the July 1, 2016, implementation date are grandparented (that is, subject to the HST at 13%). The grandparenting rules are explained in GST/HST Info Sheet GI-190, *New Brunswick and Newfoundland and Labrador HST Rate Increases – Sales and Rentals of New Housing*.

Where a non-registrant builder makes a grandparented sale of new housing and is required to collect the HST payable on the sale, the non-registrant builder is required to collect the HST at 13%.

For information on how a non-registrant builder reports the HST at 13% collectible on the grandparented sale of housing and other related information, refer to the heading “Reporting and remitting the HST.”

Self-supply of new housing by a non-registrant builder

A builder who constructs a new house or substantially renovates a house for rental purposes is generally considered to have made a taxable “self-supply” (sale and repurchase) of the housing at the time the builder gives possession or use of the housing, or a unit in it, under a lease, licence, or similar arrangement to an individual who is the first to occupy the housing as a place of residence. This rule applies even if the builder is a non-registrant.

A self-supply may also occur where:

- a builder constructs an addition (for example, a new floor or wing) to a multiple unit residence and rents a unit in the addition to an individual who is the first to occupy it as a place of residence;
- a builder rents new housing to a person who, in turn, will rent it to an individual as a place of residence;
- a builder sells only the building part of the new house and leases the related land to the purchaser under the same agreement (other than the sale of a mobile home together with a site in a residential trailer park); or
- a builder is an individual and is the first to occupy the new housing as a place of residence.

Please note, only the self-supply described in the third bullet above (that is, the sale of the building part of a new house and the lease of the related land) may be grandparented under the transitional rules for the New Brunswick and Newfoundland and Labrador HST rate increases. The self-supply rules (including the application of the HST rate increases to self-supplies, and the rules for grandparented self-supplies) are explained in GST/HST Info Sheet GI-190, *New Brunswick and Newfoundland and Labrador HST Rate Increases – Sales and Rentals of New Housing*.

A builder who is considered to have collected the HST on a self-supply is required to report that amount on its GST/HST return for the reporting period during which the self-supply occurred.

Reporting and remitting the HST

Non-registrant builders have different filing requirements than registrant builders. These requirements are not affected by the HST rate increases in New Brunswick and Newfoundland and Labrador.

A non-registrant builder is required to use Form GST62, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return (Non-Personalized)*, to report the following amounts for any reporting period in which it has tax to report:

- the HST collectible on a taxable sale, including the HST at 13% collectible on a grandparented sale, of new housing;
- the HST collectible on a self-supply, including the HST at 13% collectible on a grandparented self-supply of new housing.

The reporting period of a non-registrant is the calendar month.

A non-registrant builder is required to remit the net tax owing for a particular month and file the GST/HST return by the end of the month following the month during which:

- the tax became payable on its taxable sale of new housing; or
- the tax became collectible on its self-supply of new housing.

In addition, non-registrant builders who make certain sales or self-supplies of new housing in New Brunswick or Newfoundland and Labrador are required to report certain information, described in the bullets below, when filing their GST/HST returns (Form GST62). A non-registrant builder must attach a letter to its GST/HST return to report the information for reporting periods ending on or after July 1, 2016. The following information (that is, numbers, prices, and values) is required to be reported in respect of the following sales or self-supplies that occur during the reporting period:

- in the case of grandparented sales of new housing in New Brunswick or Newfoundland and Labrador where the total sales price (including any amount for any other taxable supply made of an interest in the grandparented housing) is \$450,000 or more, the number of grandparented housing units sold, and the total of the sale prices of those units;

- in the case of grandparented self-supplies of new housing (that is, the sale of a building part of a new house and the lease of the related land) in New Brunswick or Newfoundland and Labrador where the fair market value of the property is \$450,000 or more, the number of grandparented housing units self-supplied, and the fair market value of those units; and
- in the case where a non-registrant builder makes a taxable sale or taxable self-supply of new housing in New Brunswick or Newfoundland and Labrador that is subject to HST at 15%, but that was previously purchased by the builder on a grandparented basis (that is, purchased subject to the HST at 13%) the number of those housing units sold or self-supplied, and the total of the purchase price paid by the builder for those units.

Recovering the GST/HST paid or owing

A non-registrant builder cannot claim input tax credits (ITCs) to recover the HST paid or payable on its acquisition of land, construction materials and services, and other costs incurred to construct or substantially renovate housing. However, a non-registrant builder may be eligible to recover some or all of these amounts by way of rebate if certain conditions are met.

Public service body rebates

A non-registrant public service body (for example, a charity or a qualifying non-profit organization) resident in New Brunswick or Newfoundland and Labrador is entitled to claim a public service body rebate for a portion of the federal part of the HST paid or payable on the purchase or construction of new housing, where the conditions for claiming that rebate are met.

In addition, certain public service bodies resident in New Brunswick or Newfoundland and Labrador may be entitled to claim a public service body rebate of the provincial part of the HST paid or payable on eligible purchases and expenses. For further details, refer to Guide RC4034, *GST/HST Public Service Bodies' Rebate*.

Rebate when taxable sale of new housing is made

A GST/HST rebate is generally available to a non-registrant builder at the time the builder makes a taxable sale of new housing to another person or is considered under the self-supply rules to have made a taxable sale of the new housing. This rebate entitles the builder to recover the HST paid on the construction or substantial renovation of the housing that the builder could not previously recover (for example, through an ITC or a public service body rebate).

This rebate continues to be available to eligible non-registrant builders and is not affected by the HST rate increases in New Brunswick and Newfoundland and Labrador. For more information, refer to Guide RC4052, *GST/HST Information for the Home Construction Industry*, and Guide RC4033, *General Application for GST/HST Rebates*.

New residential rental property rebates

The new residential rental property rebate in respect of the federal part of the HST that a non-registrant builder is considered to have collected on a self-supply of new housing continues to be available to eligible builder-landlords and is not affected by the HST rate increases in New Brunswick and Newfoundland and Labrador. There is no rebate in respect of the provincial part of the HST on the self-supply of new housing in New Brunswick or Newfoundland and Labrador. For further details, refer to Guide RC4231, *GST/HST New Residential Rental Property Rebate*.

Further information

All GST/HST technical publications are available on the CRA website at www.cra.gc.ca/gsthstech.

To make a GST/HST enquiry by telephone:

- for general GST/HST enquiries, call Business Enquiries at 1-800-959-5525
- for technical GST/HST enquiries, call GST/HST Rulings at 1-800-959-8287

If you are located in Quebec, call Revenu Québec at 1-800-567-4692 or visit their website at www.revenuquebec.ca.

If you are a selected listed financial institution (whether or not you are located in Quebec) and require information on the GST/HST or the QST, go to www.cra.gc.ca/slfi or

- for general GST/HST or QST enquiries, call Business Enquiries at 1-800-959-5525
- for technical GST/HST or QST enquiries, call GST/HST Rulings SLFI at 1-855-666-5166

Any legislative references in this publication are to the *Excise Tax Act* (the Act) unless otherwise specified. The information in this publication does not replace the law found in the Act and its regulations.

If this information does not completely address your particular situation, you may wish to refer to the Act or relevant regulation, or call GST/HST Rulings at 1-800-959-8287 for additional information. If you require certainty with respect to any particular GST/HST matter, you may request a ruling. GST/HST Memorandum 1.4, *Excise and GST/HST Rulings and Interpretations Service*, explains how to obtain a ruling or an interpretation and lists the GST/HST rulings centres.