



New Brunswick and Newfoundland and Labrador HST Rate Increases – Stated Price Net of the GST/HST New Housing Rebate

On February 2, 2016, and April 14, 2016, respectively, the Government of New Brunswick and the Government of Newfoundland and Labrador announced their intention 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/2016-119).

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 explains how to determine the consideration payable for the sale of new housing in New Brunswick or Newfoundland and Labrador where a builder's price includes the HST at 15% that applies to the sale, and the price is net of the GST/HST new housing rebate in respect of the federal part of the HST that the builder credits to the purchaser.

For information on how the New Brunswick and Newfoundland and Labrador HST rate increases apply to taxable sales of new housing, refer to GST/HST Info Sheet GI-190, *New Brunswick and Newfoundland and Labrador HST Rate Increases – Sales and Rentals of New Housing*.

For purposes of this info sheet, "single unit house" means a detached house, semi-detached house, rowhouse unit, mobile home, or floating home, that is not a residential condominium unit.

GST/HST new housing rebate

Where certain conditions are met, the purchaser of a newly constructed or substantially renovated single unit house, duplex, or residential condominium unit may be entitled to claim a GST/HST new housing rebate in respect of the federal part of the HST paid on such housing. Refer to Guide RC4028, *GST/HST New Housing Rebate*, for details on the rebate.

The purchaser and the builder may agree to have the builder pay or credit to the purchaser the amount of the GST/HST new housing rebate in respect of the federal part of the HST to the purchaser.

In this case, the purchaser does not have to submit a rebate application directly to the Canada Revenue Agency (CRA). The purchaser will sign the rebate application and provide it to the builder who is required to send the rebate application to the CRA when the builder claims a deduction in its net tax calculation for the amount of the rebate. The deduction must be taken in the net tax calculation for the reporting period during which the rebate amount was paid or credited to the purchaser.

Stated price net of GST/HST new housing rebate

In this info sheet, the "stated price" is the amount the purchaser agrees to pay the builder for the housing. The stated price includes the HST that would be payable at 15% on the purchase of the housing.

The “stated price net of rebate” (SPNR) means the stated price for the housing net of any GST/HST new housing rebate in respect of the federal part of the HST credited by the builder.

The “consideration” payable for the purchase of the housing is the amount to be paid for the housing before any calculation of the tax payable and the GST/HST new housing rebate entitlement for the purchaser.

Where an SPNR is used, a calculation must be made to determine the value of the consideration payable for the housing. The value of the consideration must be calculated before the tax payable can be determined. Similarly, the tax payable must be calculated before the amount of the GST/HST new housing rebate can be determined.

A separate formula is used to calculate the consideration within each of two price ranges. These formulas are set out below.

Conditions

The formulas in this info sheet can **only** be used if **all** of the following conditions are met:

- the purchaser is buying a newly constructed or substantially renovated single unit house, a duplex, or a residential condominium unit from a builder, together with the related land;
- the housing is situated in New Brunswick or Newfoundland and Labrador;
- the HST at 15% applies to the sale;
- the purchaser meets the conditions for claiming the GST/HST new housing rebate in respect of the federal part of the HST;
- the builder credits the GST/HST new housing rebate in respect of the federal part of the HST to the purchaser; and
- the builder and the purchaser have agreed to a stated price net of the GST/HST new housing rebate in respect of the federal part of the HST.

Calculating the consideration payable

The formula to be used for a particular sale depends on the builder’s SPNR.

Formula no. 1

Where the **SPNR is not more than \$396,200** (meaning that the consideration is not more than \$350,000) the value of consideration payable is determined using the following calculation:

$$\text{Consideration} = \text{SPNR} \div 1.132$$

Example

The SPNR is \$370,000 and all of the above conditions are satisfied. The consideration would be calculated as follows:

$$\begin{aligned} \text{Consideration} &= \text{SPNR} \div 1.132 \\ &= \$370,000 \div 1.132 \\ &= \$326,855.12 \end{aligned}$$

Once the consideration is determined, the HST payable and the GST/HST new housing rebate in respect of the federal part of the HST may be calculated as follows:

$$\begin{aligned} \text{HST payable} &= \text{Consideration} \times 15\% \\ &= \$326,855.12 \times 15\% \\ &= \$49,028.27 \end{aligned}$$

GST/HST new housing rebate in respect of the federal part of the HST

$$\begin{aligned} &= (\text{Consideration} \times 5\%) \times 36\% \\ &= (\$326,855.12 \times 5\%) \times 36\% \\ &= \$5,883.39 \end{aligned}$$

Formula no. 2

Where the **SPNR is more than \$396,200 and not more than \$517,500** (meaning that the consideration is more than \$350,000 and not more than \$450,000) the value of consideration payable is determined using the following calculation:

$$\text{Consideration} = (\text{SPNR} + \$28,350) \div 1.213$$

Example

The SPNR is \$500,000 and all of the above conditions are satisfied. The consideration would be calculated as follows:

Consideration

$$\begin{aligned} &= (\text{SPNR} + \$28,350) \div 1.213 \\ &= (\$500,000 + \$28,350) \div 1.213 \\ &= \$435,572.96 \end{aligned}$$

Once the consideration is determined, the HST payable and the GST/HST new housing rebate in respect of the federal part of the HST may be calculated as follows:

HST payable

$$\begin{aligned} &= \text{Consideration} \times 15\% \\ &= \$435,572.96 \times 15\% \\ &= \$65,335.94 \end{aligned}$$

GST/HST new housing rebate in respect of the federal part of the HST

$$\begin{aligned} &= \$6,300 \times [(\$450,000 - \text{Consideration}) \div \$100,000] \\ &= \$6,300 \times [(\$450,000 - \$435,572.96) \div \$100,000] \\ &= \$908.90 \end{aligned}$$

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.