



Harmonized Sales Tax: Information on Owner-built Homes, Mobile Homes and Floating Homes in Ontario

The Government of Ontario is introducing a harmonized sales tax (HST) that will come into effect on July 1, 2010.

The HST rate in Ontario will be 13% of which 5% is the federal part and 8% the provincial part.

This info sheet reflects proposed tax changes announced in:

- the 2009 Ontario Budget, in Information Notice No. 2, *Helping Homebuyers and the Housing Industry with an Enhanced New Housing Rebate, A New Rental Housing Rebate and Transitional Rules* released by the Government of Ontario on June 18, 2009; and
- Information Notice No. 4, *Additional Information for Homebuyers and the Housing Industry under Ontario HST* released by the Government of Ontario on November 19, 2009.

Any commentary in this info sheet should not be taken as a statement by the Canada Revenue Agency (CRA) that the proposed transitional rules will be enacted in their current form.

This info sheet provides information for individuals who build or substantially renovate, or hire someone else to build or substantially renovate, their own home, or who buy a new mobile or floating home. It explains how the tax changes will apply and the new housing rebates that may be available.

Builders who sell newly constructed or substantially renovated housing in Ontario should refer to GST/HST Info Sheet GI-083, *Harmonized Sales Tax: Information for Builders of New Housing in Ontario*.

Definitions for GST purposes, e.g., builder, mobile home, and substantial renovation, will generally apply under the HST, as will the CRA's current policies on the application of the GST 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 Technical Information Bulletin B-092, *Substantial Renovations and the GST/HST New Housing Rebate*.

How will the HST apply?

In general, the HST at 13% (5% federal part and 8% provincial part) will apply to purchases, leases, and other acquisitions of property and services made in Ontario in the same way that the 5% GST currently applies.

This means that if an individual purchases property, including land, or a service that is normally subject to the GST under the existing rules, the purchase will be subject to the HST, subject to the transitional rules that apply to transactions that straddle the July 1, 2010 implementation date for the HST.

Most of the property and services purchased to build or substantially renovate a house are currently subject to the GST and will be subject to the HST.

La version française du présent document est intitulée *Taxe de vente harmonisée – Renseignements sur les maisons construites par le propriétaire, les maisons mobiles et les maisons flottantes en Ontario*.



Special rules for the transition from the GST to the HST

Special rules apply for determining whether the GST at 5% or the HST at 13% applies to purchases that straddle July 1, 2010.

For example, if goods are purchased, such as lumber, and the amount owed to the supplier becomes due or is paid without having become due after April 2010 and before July 2010, the tax will apply based on when delivery and ownership of the goods take place, as follows:

- if the individual takes delivery and ownership before July 2010, the GST at 5% applies, and
- if the individual takes delivery and ownership after June 2010, the HST at 13% applies, even though the amount the supplier charged for the supply becomes due or is paid without having become due before July 2010.

For more information on the special rules that apply for determining which tax applies to purchases and other acquisitions of property or services, see GST/HST Notice 247, *Harmonized Sales Tax for Ontario and British Columbia – Questions and Answers on General Transitional Rules for Personal Property and Services*, GST/HST Info Sheet GI-056, *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Services*, and GST/HST Info Sheet GI-070 *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Goods*.

GST/HST new housing rebate

An individual who builds or substantially renovates, or hires someone else to build or substantially renovate, their own house may be entitled to claim a GST/HST new housing rebate in respect of the GST or the federal part of the HST paid to construct or substantially renovate the house.

The GST/HST new housing rebate is generally available if the individual builds or substantially renovates housing for use as the primary place of residence of the individual, or a relative, the fair market value of the housing (building and land) upon substantial completion of the housing is less than \$450,000, and all of the other rebate conditions are met.

The GST/HST new housing rebate will continue to be available following the implementation of the HST in Ontario.

Paying tax at different rates

Following the implementation of the HST, some purchases made to build or substantially renovate a house may be subject to the HST at 13% while other purchases made for that purpose were subject to the GST at 5%.

Further, due to the reductions in the rate of the GST (from 7% to 6%, effective July 1, 2006, and then from 6% to 5%, effective January 1, 2008) purchases made to build or substantially renovate a house may have been subject to GST at different rates.

For example, an individual may have paid 7% GST on the purchase of land in December 2001, 6% GST when acquiring architectural services in November 2007, and 13% HST for plumbing and electrical services that the individual will receive after June 2010.

In this case, individuals may be entitled to claim a GST/HST new housing rebate in respect of the GST, or federal part of the HST, they paid on these purchases, no matter which rate of the GST/HST applied to the purchases. However, the maximum rebate they are entitled to claim may be adjusted based on the purchases made. The maximum rebate amounts are reflected on the GST/HST new housing rebate application and are explained in the Guide RC4028, *GST/HST New Housing Rebate*.

Ontario new housing rebate

An individual who builds or substantially renovates, or hires someone else to build or substantially renovate, their own house may be entitled to claim an Ontario new housing rebate in respect of the provincial part of the HST paid by the individual to build or substantially renovate their house.

The rebate would be available if the individual:

- is entitled to claim a GST/HST new housing rebate in respect of the federal part of the HST; or

- would be entitled to claim a GST/HST new housing rebate for the federal part of the HST if the fair market value of the housing at the time of substantial completion were less than \$450,000.

The Ontario new housing rebate will be equal to 75% of the 8% provincial part of the HST that the individual paid to build or substantially renovate their house up to a maximum rebate amount of:

- \$16,080, if the individual did not pay the HST on the purchase of the land (e.g., the HST would not have applied if ownership or possession of the land was transferred to the individual before July 2010 or if the purchase was exempt of the HST) or if the individual leases the land; or
- \$24,000, if the individual paid the HST on the purchase of the land (e.g., if ownership and possession of the land are transferred to the individual after June 2010).

Example

Nathalie purchased land on which she intends to build her house. She hired a builder to construct her new house. The builder began construction in August 2010 and completed construction in December 2010. Upon substantial completion of the work, the fair market value of the house (building and land) is \$340,000.

Throughout the process, Nathalie paid the GST/HST as follows:

| Purchases | Tax | Tax paid |
|------------------------|---------|----------|
| Land | 5% GST | \$5,000 |
| Remainder of purchases | 13% HST | \$26,000 |
| Total tax paid | | \$31,000 |

In this case, the maximum GST/HST new housing rebate is \$6,300 because all of the GST and federal part of the HST was paid at the rate of 5%. If, for example, some purchases had been subject to 6% and/or 7% GST, the maximum may have been different.

The maximum Ontario new housing rebate is \$16,080 since Nathalie did not pay the HST on her purchase of the land. The maximum Ontario new housing rebate would have been \$24,000 if she had paid HST on the purchase of the land.

If Nathalie meets all of the conditions for claiming the GST/HST new housing rebate, she will be able to claim a total new housing rebate of \$17,400, calculated as follows:

GST/HST new housing rebate:

$$\begin{aligned} \text{Total federal part of the HST paid} &= \$26,000 \times 5/13 \\ &= \$10,000 \\ \text{Total GST and federal part of the HST paid} &= \$5,000 + \$10,000 \\ &= \$15,000 \\ \text{GST/HST new housing rebate} &= \$15,000 \times 36\% \\ &= \$5,400 \end{aligned}$$

Ontario new housing rebate:

$$\begin{aligned} \text{Total provincial part of the HST paid} &= \$26,000 \times 8/13 \\ &= \$16,000 \\ \text{Ontario new housing rebate} &= \$16,000 \times 75\% \\ &= \$12,000 \end{aligned}$$

Total new housing rebate

$$\begin{aligned} &= \$5,400 + \$12,000 \\ &= \mathbf{\$17,400} \end{aligned}$$

If the fair market value of Nathalie's house upon substantial completion of the work were \$450,000 or more, she would not be entitled to claim a GST/HST new housing rebate in respect of the GST, or federal part of the HST. However, as long as she met all of the other conditions for claiming the GST/HST new housing rebate, she would still be entitled to claim the Ontario new housing rebate for the provincial part of the HST.

How to apply for the Ontario new housing rebate

Individuals apply for the Ontario new housing rebate by completing a new provincial schedule, RC7191-ON, *GST191 - Ontario Rebate Schedule* that will form part of the GST/HST new housing rebate application, Form GST191, *GST/HST New Housing Rebate Application for Owner-Built Houses* and Form GST191-WS, *Construction Summary Worksheet*. This new schedule and a revised GST/HST new housing rebate application will be available on the CRA Web site by July 2010. The rebate application and the new schedule will also be available in the Guide RC4028, *GST/HST New Housing Rebate*.

All forms necessary to claim the existing GST/HST new housing rebate are available on our Web site at www.cra.gc.ca/gsthstpub.

How will the HST apply to mobile or floating homes?

The sale of a new mobile or floating home by a builder or dealer of such homes is currently subject to the GST and will be subject to the HST following the implementation of the HST.

A modular home may be considered to be a mobile home for GST/HST purposes. For more information, refer to P-223, *The Meaning of "Manufacture and assembly of which is completed or substantially completed" in the Definition of Mobile Home.*

The HST will generally apply to purchases of new mobile or floating homes if, under a written agreement of purchase and sale for the home, **both** ownership and possession of the home are transferred to the purchaser after June 2010. If either ownership or possession is transferred to the purchaser under the written agreement before July 2010, the GST at 5% will apply and the HST will not apply.

If a builder (or vendor) and purchaser sign a written agreement of purchase and sale on different dates, for purposes of applying the transitional rules, the agreement is entered into on the date of the last signature of a party (i.e., the builder or purchaser) to the written agreement.

Where the HST applies, the HST will generally be payable on the earlier of the day on which ownership or possession of the mobile or floating home is transferred to the purchaser.

An individual who purchases a new mobile or floating home may be entitled to claim a GST/HST new housing rebate for the GST, or federal part of the HST, they paid on the purchase of the home. An Ontario new housing rebate will be available in respect of the provincial part of the HST paid on the purchase of the new mobile or floating home.

Where an individual meets all of the conditions for claiming a new housing rebate for the purchase of a mobile or floating home, the individual can choose **one** of the following two options to claim their new housing rebate. Depending on the individual's particular circumstances, one of these options may be more beneficial than the other.

Option 1 – new housing rebate for owner-built house

Under this option, the individual could claim a GST/HST new housing rebate in respect of the GST, or federal part of the HST, paid to purchase the mobile or floating home and to acquire other eligible property and services from the builder or dealer under a separate agreement or from another supplier(s). For example, if the individual paid the GST/HST on the purchase of the land or on improvements to the land or to the mobile or floating home, that tax may be included in the calculation of the GST/HST new housing rebate.

In addition, an Ontario new housing rebate may be available for 75% of the provincial part of the HST paid to purchase the mobile or floating home, the land and other eligible property and services up to a maximum Ontario new housing rebate of \$16,080 (if the individual did not pay the HST on the purchase of the land) or \$24,000 (if the individual paid the HST to purchase the land).

To claim a new housing rebate under Option 1, an individual will complete Form GST191, *GST/HST New Housing Rebate Application for Owner-Built Houses*, Form GST191-WS, *Construction Summary Worksheet*, and Form RC7191-ON, *GST191 – Ontario Rebate Schedule*.

Option 2 – new housing rebate for house purchased from a builder

Under this option, the individual who paid the HST on the purchase of a mobile or floating home may be entitled to claim a GST/HST new housing rebate in respect of the GST, or federal part of the HST, and/or an Ontario new housing rebate for the provincial part of the HST, paid on the purchase of the home. In this case, the Ontario new housing rebate will be calculated as 75% of the provincial part of the HST, up to a maximum of \$24,000.

In general, under option 2, the GST/HST paid on other purchases related to the new mobile or floating home cannot be included in the purchaser's rebate claim. However, if the individual purchased both a mobile home and the land from the builder or dealer under a single written agreement of purchase and sale, the individual may be entitled to

claim a new housing rebate for the purchase of both the mobile home and the land.

To claim a new housing rebate under Option 2, an individual will complete Form GST190, *GST/HST New Housing Rebate Application for Houses Purchased from a Builder*, Form RC7190-WS, *GST190 Calculation Worksheet*, and Form RC7190-ON, *GST190 – Ontario Rebate Schedule*.

Example

Hugh purchased land on which he intends to build his house. He paid GST on the purchase of the land. In July 2010, Hugh purchased a modular home, which meets the definition of mobile home for GST/HST purposes, for \$300,000. He paid HST on the purchase of the modular home. Upon substantial completion of the installation of the modular home on the land, the fair market value of the home (building and land) is \$350,000.

Throughout the process, Hugh paid the GST/HST as follows:

| Purchases | Tax | Tax paid |
|----------------|---------|----------|
| Land | 5% GST | \$2,500 |
| Modular home | 13% HST | \$39,000 |
| Total tax paid | | \$41,500 |

If Hugh meets all of the conditions for claiming the GST/HST new housing rebate, he will be able to claim a total new housing rebate of \$24,300, **using Option 2**, calculated as follows:

GST/HST new housing rebate:

Total federal part of the HST paid
 $= \$39,000 \times 5/13$
 $= \$15,000$

Total GST and federal part of the HST paid
 $= \$2,500 + \$15,000$
 $= \$17,500$

GST/HST new housing rebate
 $= \$17,500 \times 36\%$
 $= \$6,300$

Ontario new housing rebate:

Total provincial part of the HST paid
 $= \$39,000 \times 8/13$
 $= \$24,000$

Ontario new housing rebate
 $= \$24,000 \times 75\%$
 $= \$18,000$

Total new housing rebate

$= \$6,300 + \$18,000$
 $= \mathbf{\$24,300}$

If Hugh meets all of the conditions for claiming the GST/HST new housing rebate, he will be able to claim a total new housing rebate of \$22,380, **using Option 1**, calculated as follows:

GST/HST new housing rebate:

Total federal part of the HST paid
 $= \$39,000 \times 5/13$
 $= \$15,000$

Total GST and federal part of the HST paid
 $= \$2,500 + \$15,000$
 $= \$17,500$

GST/HST new housing rebate
 $= \$17,500 \times 36\%$
 $= \$6,300$

Ontario new housing rebate:

Total provincial part of the HST paid
 $= \$39,000 \times 8/13$
 $= \$24,000$

Ontario new housing rebate
 $= \$24,000 \times 75\%$
 $= \$18,000$
 $= \mathbf{\$16,080 (maximum)}$

Total new housing rebate

$= \$6,300 + \$16,080$
 $= \mathbf{\$22,380}$

The maximum Ontario new housing rebate is \$16,080 since Hugh did not pay the HST on his purchase of the land.

In this case, it is more beneficial for Hugh to use Option 2.

Refer to Guide RC4028, *GST/HST New Housing Rebate*, for information on the GST/HST new housing rebate for mobile or floating homes. This guide will be updated by July 2010 to reflect the availability of an Ontario new housing rebate.

This info sheet does not replace the law found in *the Excise Tax Act* (the Act) and its regulations. It is provided for your reference. As it may not completely address your particular operation, you may wish to refer to the Act or appropriate regulation, or contact any CRA GST/HST Rulings Centre for additional information. A ruling should be requested for certainty in respect of any particular GST/HST matter. Pamphlet RC4405, *GST/HST Rulings – Experts in GST/HST Legislation*, explains how to obtain a ruling and lists the GST/HST Rulings Centres. If you wish to make a technical enquiry on the GST/HST by telephone, please call 1-800-959-8287.

If you are located in Quebec and wish to make a technical enquiry or request a ruling related to the GST/HST, please contact Revenu Québec by calling 1-800-567-4692. You may also visit their Web site at www.revenu.gouv.qc.ca to obtain general information.

All technical publications related to GST/HST are available on the CRA Web site at www.cra.gc.ca/gsthstech.