



Canada Revenue
Agency

Agence du revenu
du Canada

GST/HST Information for the Home Construction Industry

Is this guide for you?

This guide is for you if you are a builder, land developer, renovator, contractor, or other person involved in the home construction industry. This guide explains the rules for charging, collecting, and remitting the goods and services tax/harmonized sales tax (GST/HST) on various supplies of real property and other supplies related to the home construction industry. This guide also gives information about claiming input tax credits (ITCs) and rebates for real property.

This guide is not for you if you are an individual who is not a builder for GST/HST purposes and you are building your own house, or you have engaged someone else to build your house. To determine if you are a builder for GST/HST purposes, see page 8. To find out about rebates that are available to individuals who build, hire someone else to build, or purchase a new house to use as their primary place of residence, see Guide RC4028, *GST/HST New Housing Rebate*.

GST/HST and Quebec

In Quebec, Revenu Québec administers GST/HST. If the physical location of your business is in Quebec, contact Revenu Québec, at **1-800-567-4692**. Also, see the Revenu Québec publication *General Information Concerning the QST and the GST/HST*.

If you have a visual impairment, you can get our publications in braille, large print, etext (CD or diskette), or MP3. For more information, visit our Web site at **www.cra.gc.ca/alternate** or call **1-800-959-2221**.

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Definitions

Builder has a very specific meaning for GST/HST purposes that is not limited to a person who physically constructs housing. It is important to determine whether you are a builder of a house for GST/HST purposes as there are many special rules that apply to builders. For more information, see “Are you a builder for GST/HST purposes?” on page 8.

Exempt supplies are goods and services that are not subject to the GST/HST. GST/HST registrants cannot claim input tax credits to recover the GST/HST they pay or owe on expenses related to making such supplies.

House and housing are used throughout this guide to include a single family house, a semi-detached house, a duplex, a townhouse, a residential condominium unit, units in a co-operative housing corporation, apartments, and additions to apartment buildings, but they do not include a mobile home or a floating home. Unless otherwise noted, these terms generally include the land upon which the house is situated.

Input tax credit (ITC) means a credit GST/HST registrants can claim to recover the GST/HST they pay or owe for goods or services they acquired, imported into Canada, or brought into a participating province for use, consumption, or supply in the course of their commercial activities.

Lease is used throughout this guide to include a lease or a licence, or an arrangement that is similar to a lease or a licence.

New or substantially renovated house is used throughout this guide to include a house (or housing) that is newly built, has been substantially renovated, has undergone a major addition with the renovation of the existing house, or has been converted from non-residential use to use as a place of residence for individuals.

Participating provinces means the provinces of Nova Scotia, New Brunswick, or Newfoundland and Labrador. The 13% HST rate is used in the participating provinces (5% federal part and 8% provincial part).

Personal trust generally means, for GST/HST purposes, either:

- a trust or estate that is created as a consequence of the death of an individual (testamentary trust); or
- any trust that is not a testamentary trust, in which no person paid any consideration to acquire a beneficial interest and all of the beneficiaries of the trust are individuals, or in the case of contingent beneficiaries, individuals, charities or public institutions.

Primary place of residence of an individual generally means the residence that the individual lives in on a permanent basis. An individual may hold more than one residence, but is considered to have only one primary place of residence. If an individual lives in more than one place, the primary place of residence is generally the place most often occupied as a residence. For more information, see “Primary place of residence” on page 34.

Public service body (PSB) means a non-profit organization, charity, municipality, school authority, hospital authority, public college, or university.

Real property includes:

- in Quebec, immovable property and every lease thereof; and
- in any other place in Canada, all land, buildings of a permanent nature, and any interest in real property.

Generally, a person has an interest in real property if they hold any rights to the property. For example, if a person receives the title to real property or acquires real property by way of lease, they have acquired an interest in that property.

Registrant means a person that is registered or has to be registered for GST/HST.

Relative of an individual for GST/HST purposes generally means another individual with whom the individual is connected by:

- blood relationship, which includes the following relationships:
 - parent and child;
 - (great) grandparent and (great) grandchild; or
 - brother and sister;
- marriage or common-law partnership; or
- adoption.

However, for purposes of the GST/HST new housing rebate only, a relation or relative of an individual also includes a former spouse or former common-law partner of the individual.

Self-supply is used throughout this guide to describe the situation where a person is considered to have both made a sale of the property and to have reacquired that property. For more information, see “What is a self-supply?” on page 7.

Substantial renovation of a house generally means that 90% or more of the interior of the existing house was removed or replaced. If a house has been substantially renovated, it is generally treated as a newly built house. For more information on the extent and type of changes that must be made to a house to be considered substantially renovated, see “Substantial renovation, major addition, and conversion” on page 33.

Substantially completed generally means that the construction or substantial renovation of the housing is 90% or more completed and an individual could reasonably live in it. Minor repairs, adjustments, or outstanding upgrades are not considered to impair the use and enjoyment of the housing as a place of residence.

The construction or substantial renovation of multiple unit housing or an addition to such housing is considered to be substantially completed no later than the day that 90% or more of the residential units in the housing or addition are occupied after the construction or renovation began.

Supply means the provision of property or a service in any way, including sale, transfer, barter, exchange, licence, rental, lease, gift, and disposition.

Taxable supplies are goods and services that are supplied in the course of a commercial activity and are subject to GST/HST (including zero-rated supplies).

Zero-rated supplies refers to a limited number of goods and services that are taxable at the rate of 0%. This means there is no GST/HST charged on the supply of these goods and services, but GST/HST registrants can claim an ITC for the GST/HST they pay or owe on purchases and expenses made to provide them.

What is GST/HST?

The goods and services tax/harmonized sales tax (GST/HST) is a tax that applies on most supplies of goods and services made in Canada. The GST/HST also applies to intangible property such as trademarks, rights to use a patent, digitized products downloaded from the Internet and paid for individually, and options to purchase property.

The three participating provinces (Nova Scotia, New Brunswick, and Newfoundland and Labrador) harmonized their provincial sales tax with the GST to create the harmonized sales tax (HST). HST applies to the same base of goods and services as the GST.

Effective January 1, 2008, the GST/HST rates are:

GST 5%

HST 13% (5% federal part and 8% provincial part)

GST/HST registrants collect the HST at the rate of 13% on taxable supplies (other than zero-rated supplies) they make in the three participating provinces. They collect the GST at the rate of 5% on taxable supplies (other than zero-rated supplies) they make in the rest of Canada.

Exception for certain sales of new houses

Effective July 1, 2006, the GST rate was reduced from 7% to 6% and the HST rate from 15% to 14%. Effective January 1, 2008, these rates were further reduced to the current rates of 5% and 13% respectively.

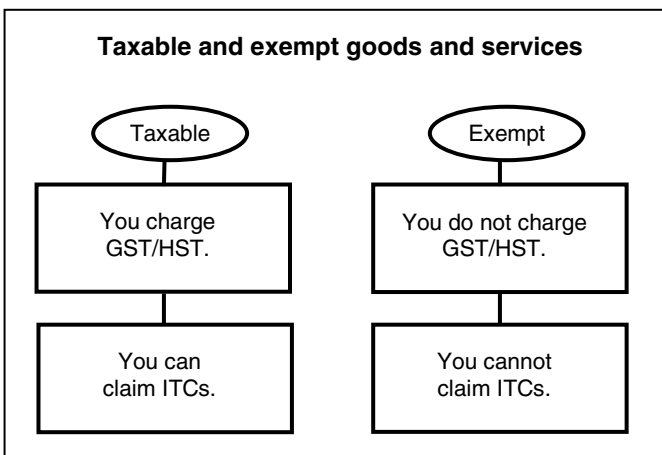
Along with the changes to the tax rates, special rules for determining which rate of tax applies to the sale of a new house also came into effect. Under these rules, certain taxable sales of new houses will still be subject to the GST/HST at one of the previous tax rates (either 6%, 7%, 14%, or 15%). For more information, see "Special rule: sale of new housing" on page 10.

How does GST/HST work?

Generally, if you are a GST/HST registrant, you have to charge and collect the GST/HST on taxable supplies you make in Canada and file regular GST/HST returns to report that tax.

You can claim input tax credits (ITCs) on your GST/HST return to recover the GST/HST you pay or owe on your purchases and expenses that you use, consume, or supply in your commercial activities. Usually, commercial activities are those undertaken to provide taxable (including zero-rated) goods and services.

From a consumer's point of view, there is no difference between zero-rated and exempt goods and services, because tax is not collected in either case. However, the difference for you, as a registrant, is that although you do not collect GST/HST on zero-rated goods and services, you can still claim ITCs for the GST/HST you pay or owe on purchases you make and expenses you incur to provide the zero-rated goods and services. You cannot claim ITCs for any GST/HST you pay or owe on your purchases or expenses used to provide exempt goods and services.



When you complete your GST/HST return, deduct your ITCs (GST/HST you paid or owe) from the GST/HST you had to charge your customers. The result is your **net tax**. For more information on net tax, see "Calculating your net tax (line 109 of your GST/HST return)" on page 17.

If the total amount of the tax you had to charge is more than the amount of your ITCs, send us the difference. If the total amount of the tax you had to charge is less than the amount of your ITCs, you can claim a refund. For more information on ITCs, see "Claiming input tax credits (ITCs)" on page 19.

Who pays GST/HST?

Almost everyone has to pay GST/HST on purchases of taxable supplies (other than zero-rated supplies) of goods and services. However, Indians, Indian bands, and some groups and organizations, such as many provincial and territorial governments, do not always pay GST/HST on their purchases. For more information, see Guide RC4022, *General Information for GST/HST Registrants*.

Who charges GST/HST?

Generally, GST/HST registrants have to charge and collect the GST/HST on all taxable (other than zero-rated) supplies of goods and services they provide to their customers. However, there are some exceptions for taxable sales of real property. For more information on when you have to charge and collect the GST/HST on a taxable sale of real property, and when you do not, see “Who remits the tax for a taxable sale of real property – vendor or purchaser?” on page 11.

Note

In some cases, a person who is not a registrant also has to charge and collect GST/HST on a taxable sale of real property. For more information, see “Who remits the tax for a taxable sale of real property – vendor or purchaser?” on page 11.

Taxable goods and services

Most goods and services (including those that are zero-rated) supplied in or imported into Canada are subject to the GST/HST.

Goods and services taxable at 5% or 13%

Generally, the GST/HST applies to the following:

- sales and rentals of commercial real property;
- sales of newly built residential real property;
- construction services;
- construction materials (for example, lumber, insulation, drywall);
- construction equipment and tools (sales and rentals);
- septic systems;
- security systems;
- plumbing and electrical services;
- heating/cooling/ventilation systems;
- flooring;
- cabinetry;
- installation services (for example, for the installation of heating/cooling/ventilation systems, flooring, cabinetry);
- fixtures and appliances;
- decorating and staging services;
- architectural and engineering services;
- legal and accounting services;
- services provided by land surveyors;
- services provided by real estate agents;
- sales and leases of automobiles;
- gasoline;

- vehicle and equipment repairs; and
- computers and furniture.

Note

This list is not all inclusive. It only provides examples of some of the goods and services that are generally subject to the GST/HST when supplied by a registrant. However, it is important to note that a sale of real property may be subject to the GST/HST even if it is made by a non-registrant.

Goods and services taxable at 0% (zero-rated)

If a supply of a good or service is zero-rated, this means that it is taxable at the rate of 0%. There is no GST/HST charged on the supply of these goods and services, but GST/HST registrants can claim ITCs for the GST/HST they pay or owe on purchases they made and expenses they incurred to provide zero-rated goods and services.

If you are involved in home construction, you will not likely supply or purchase goods and services that are zero-rated.

Examples of goods and services taxable at 0% (zero-rated) include:

- basic groceries such as milk, bread, and vegetables;
- agricultural products such as grain, raw wool, and dried tobacco leaves and most farm livestock;
- prescription drugs and drug-dispensing services;
- exports (most goods and services for which you have to charge and collect the GST/HST in Canada, are zero-rated when exported); and
- many transportation services where the origin or destination is outside Canada.

Exempt goods and services

A small number of goods and services related to the construction industry are exempt from the GST/HST—that is, no GST/HST applies to them. If you make an exempt supply, you do not charge your customers GST/HST on that supply. You cannot claim ITCs for the tax you pay or owe on purchases you make or expenses you incur to provide exempt supplies.

Examples of exempt goods and services include:

- most sales of previously occupied residential housing. For more information, see “Exempt sales of housing” on page 33;
- long-term residential rental accommodation (of one month or more);
- residential condominium fees;
- most services provided by financial institutions, such as lending money or operating a deposit account;
- arranging for and issuing insurance policies by insurance companies, agents, and brokers;

- certain sales of real property by individuals and personal trusts. For more information, see “Sales of real property by individuals and personal trusts” on page 36;
- certain services provided by municipalities. For more information, see “Acquiring property and services from a municipality” on page 37; and
- certain real property supplied by non-profit organizations, charities, and other public service bodies. For more information, see “Acquiring real property from a PSB (other than a municipality)” on page 36.

Before you begin construction

Before you begin construction, it is important to become familiar with the GST/HST terms and concepts that apply to the construction industry. The terms **house**, **registrant**, **supply**, **self-supply**, and **builder** have very specific meanings for GST/HST purposes. This section of the guide explains the terms and concepts that relate to the application of the GST/HST to the home construction industry.

In this guide, **house** and **housing** are meant to include a single family house, a semi-detached house, a duplex, a townhouse, a residential condominium unit, units in a co-operative housing corporation, apartments, and additions to apartment buildings, but do not include a mobile home or a floating home. Unless otherwise noted, these terms generally include the land upon which the house is situated.

New or substantially renovated house is used throughout this guide to include a house (or housing) that is newly built, has been substantially renovated, has undergone a major addition with the renovation of the existing house, or has been converted from non-residential use to use as a place of residence for individuals.

Note

For information on what qualifies as a substantial renovation, major addition, and conversion, see page 33.

A **registrant** is a person who is registered for the GST/HST or who has to register for the GST/HST. For more information, see “Do you have to register for GST/HST?” on page 9.

What is a supply of property or a service?

A “supply” of property or a service generally means providing property or a service in any way, including sale, transfer, barter, exchange, license, rental, lease, gift, or disposition. Therefore, if you provide property or a service in any way, you are making a supply.

If you make a supply, it is important to establish the nature of what you are supplying (property or service), as the rules for charging and collecting the GST/HST will depend on this determination. For example, the rules for charging and collecting tax on a sale of real property are different than those for charging tax on a supply of a construction service. For more information see, “What are you supplying – construction services or property?” later on this page.

What is a self-supply?

We use the term “self-supply” throughout this guide to describe the situation where a builder is considered to have both made a supply by way of sale of real property and to have repurchased that property. To determine if you are a builder, see “Are you a builder for GST/HST purposes?” on the next page.

Self-supply rules may apply to builders of new or substantially renovated housing, whether they are a GST/HST registrant or not. If you are a builder of new or substantially renovated housing, you may be considered to have made a self-supply of that housing (that is, you may be considered to have sold and repurchased it) if you lease the housing to an individual for long-term residential use and that individual is the first to occupy the housing as a place of residence, or if you are an individual, you are the first to occupy the housing as a place of residence.

The purpose of the self-supply rules is to ensure that a builder who builds or substantially renovates housing and then leases the housing or uses it for their own personal use is treated in the same manner as a person who **is not** a builder and who purchased new or substantially renovated housing.

If you build a new house and you use the house as a model home, you are not considered to have made a self supply until you either occupy the house as a place of residence or you lease the house to an individual for long-term residential use. If you sell the model home before it is occupied as a place of residence, the self supply rules do not apply.

If you are a builder and you are considered to have made a self-supply of housing, you generally have to account for the GST/HST for that self-supply by reporting it on a GST/HST return, whether you are a GST/HST registrant or not. In this case, the amount of the GST/HST you have to account for on the self-supply you are considered to have made is calculated on the fair market value of the housing as of the date of the self-supply. For more information, see “When you finish construction” on page 29.

What are you supplying – construction services or property?

The application of the GST/HST depends on whether you are supplying construction services or real property. For example, are you supplying a service of building a house, or are you supplying real property, that is, selling the house and land?

Once you know the nature of your supply, you can determine which rules you have to use for charging and collecting the GST/HST, as these rules are different depending on what you are supplying. The nature of the supply will also be an indicator of whether you are a “builder” of a house for GST/HST purposes. To find out more about the importance of determining whether you are a builder for GST/HST purposes, see “Are you a builder for GST/HST purposes?” on the next page.

The following are some of the factors to consider when determining whether you are supplying a service or property:

- What does the agreement state that you are providing? For example, if the agreement is a purchase and sale agreement for a new house including the land upon which the house is to be built, you are supplying real property. If the agreement is a contract for construction services only (for example, to build a house on land owned by your customer), you are generally supplying a service.
- Who owns the land while the construction of the house is in progress? For example, if you own the land while you are constructing the house, this is an indicator that you are supplying real property.
- Who is liable to pay the property taxes while the construction is in progress? For example, if you are liable to pay the property taxes directly to the taxing authority, this may be an indicator that you are supplying real property.
- Upon completion of the contract, will you transfer legal title to the real property to the purchaser? For example, if you transfer legal title to the property, you are supplying real property.

Note

You are supplying real property if you lease or license real property to another person, or if you sell or assign an interest in real property.

For more information on determining the nature of a supply, see GST/HST Memoranda 19.1, *Real Property and the GST/HST*, or call us at 1-800-959-8287.

Are you a builder for GST/HST purposes?

For GST/HST purposes, the term “builder” has a very specific meaning that is not limited to a person who physically constructs housing.

It is important to determine whether you are a builder of a house for GST/HST purposes as there are many special rules that apply to builders. This guide discusses these special rules, and it also discusses general rules that will apply to other people involved in home construction who are not builders (for example, someone who is supplying only construction services and who does not have any interest in the land upon which the housing is being constructed).

Generally, you are a builder* of housing, or an addition to multiple unit housing, if:

- you build or substantially renovate the housing or construct an addition on land you own or have acquired by way of lease, or you hire someone else to build or substantially renovate the housing or to construct the addition on land you own or have acquired by way of lease. In this case, you are not a builder if your only interest in the land is a right to purchase the housing or an interest in the housing from a builder;

- you acquire an interest in the housing when it is already under construction or substantial renovation or when the addition is under construction except where the interest is only a right to purchase the housing or an interest in the housing from a builder;
- you acquire an interest in the housing before anyone has lived in it, and your primary purpose in acquiring the interest is to either sell the house or the interest or to lease the house to a person who will not use the house for their own personal use (for example, you lease the house to another landlord); or
- you acquire an interest in a residential condominium unit either before the complex is registered as a condominium or before anyone has lived in it, and your primary purpose in acquiring the interest is to either sell the unit or the interest or to lease the unit to a person who will not use the unit for their own personal use (for example, you lease the unit to another landlord).

Note

An interest in a house generally means any right to the land upon which the house is being constructed. For example, if you receive title to the land, you have acquired an interest in the house. If you enter into a lease agreement for the land, you have generally acquired an interest in the house.

*Exception for certain individuals

You are not a builder if you are an individual whose activities are described by any one of the above and those activities **are not** carried out in the course of a business or an adventure or concern in the nature of trade. For example, you are not a builder of a house for GST/HST purposes if you are an individual who built the house on land that you own and the house is your primary place of residence.

You may also be a builder if you convert a commercial building that you own, or have an interest in, into a house even if you did not complete a substantial renovation. For more information, see “Substantial renovation, major addition, and conversion” on page 33.

It is important to note that you do not have to physically construct or substantially renovate a house yourself to be a builder of the house. As discussed above, you may also be considered a builder, for example, if you hire someone else to do the work for you, if the work is already underway by another person when you acquire an interest in the house, or even if construction on the house is completely finished when you acquire it, or an interest in it.

If you purchased a house with the intention to substantially renovate and resell it you would be a builder of the house even if it is only a one-time event and you have no intention of doing it on a regular basis, or ever again.

Note

You are not a builder if you are supplying construction services **only** and you do not own, or have an interest in, the land on which the housing or addition is being built. For information on determining whether your supply is a construction service, see “What are you supplying – construction services or property?” on the previous page.

Do you have to register for GST/HST?

Generally, you have to register for the GST/HST if you make taxable supplies in Canada.

However, you do not have to register for the GST/HST if:

- you are a small supplier. For more information, see “What is a small supplier?” below;
- your only commercial activity is the sale of real property, other than in the course of a business. It is important to note that, although you do not have to register for the GST/HST in this case, your sale of real property may still be taxable. For more information, see “Charging GST/HST” later on this page and “Sales of real property by individuals and personal trusts” on page 36; or
- you are a non-resident who does not carry on business in Canada. If you are a non-resident, see Guide RC4027, *Doing Business in Canada – GST/HST Information for Non-Residents*.

As a GST/HST registrant, you generally have to charge the GST/HST on your taxable supplies (other than zero-rated supplies) and file regular GST/HST returns to report that tax. You are also entitled to claim ITCs to recover the GST/HST you pay or owe on purchases and expenses you use, consume, or supply in making taxable supplies (including zero-rated supplies). For more information, see “Filing GST/HST returns” on page 17.

Exception

There are special rules for charging and collecting the GST/HST on a taxable sale of real property. For more information, see “Charging GST/HST” later on this page.

What is a small supplier?

You are a small supplier and do not have to register for the GST/HST if you meet **one** of the following conditions:

- If you are a **sole proprietor**, your total revenues* from taxable supplies (before expenses) from all of your businesses are \$30,000 or less in the last four consecutive calendar quarters and in any single calendar quarter.
- If you are a **partnership or a corporation**, the total revenues* from taxable supplies (before expenses) of the partnership or corporation are \$30,000 or less in the last four consecutive calendar quarters and in any single calendar quarter.
- If you are a **public service body** (charity, non-profit organization, municipality, university, public college, school authority, or hospital authority), the total revenues* from taxable supplies from all of the activities of the organization are \$50,000 or less in the last four consecutive calendar quarters and in any single calendar quarter. A gross revenue threshold of \$250,000 also applies to charities and public institutions. For more information, see Guide RC4082, *GST/HST Information for Charities*.

*Total revenues

In all cases, total revenues from taxable supplies means your worldwide revenues from your supplies of goods and services that are subject to GST/HST (including zero-rated supplies), or that would be subject to the tax if supplied in Canada. However, it does not include supplies of goodwill, financial services, and sales of capital property. You also have to include in this calculation the total revenues from taxable supplies of all of your associates for GST/HST purposes. Call us if you need help to determine if you are associated to another person.

In summary, if your total revenues from taxable supplies exceed \$30,000 (\$50,000 for public service bodies) in a single calendar quarter or over four consecutive calendar quarters, you are no longer a small supplier and you have to register for GST/HST. Call us at **1-800-959-5525** if this happens.

Voluntary registration

If you are a small supplier and you are engaged in a commercial activity in Canada, you can **choose** to register voluntarily, even though you are not required to register. If you register voluntarily, you generally have to charge and remit the GST/HST on your taxable supplies of goods and services, and you can claim ITCs for the GST/HST you paid or owe on purchases and expenses related to making these taxable supplies. You have to stay registered for at least one year before you can ask to cancel your registration if you are still a small supplier.

If you choose not to register, you do not charge your customers the GST/HST (except for certain sales of real property) and the GST/HST you pay on your business purchases becomes a cost for which you cannot claim ITCs.

Charging GST/HST

Generally, if you are a GST/HST registrant and you make a taxable supply (other than a zero-rated supply) of property or a service in Canada, you have to charge the GST/HST to the purchaser. For example, if you are an electrician who is wiring a new house for a builder and you are a registrant, you will charge the GST/HST to the builder for your services. For information on whether a supply of real property or a supply of a service or intangible personal property that is in relation to real property is made in or outside Canada, see GST/HST Memorandum 19.1, *Real Property and the GST/HST*.

Exception

There are special rules for charging and collecting the GST/HST on a taxable sale of real property made in Canada. These special rules are discussed in the following sections.

Whether you charge the GST or the HST depends on where you make the supply. Generally, if you make a supply in a participating province, you charge the HST, and if you make a supply in a non-participating province, you charge the GST. For more information, see “Which tax applies – the GST or the HST?” on page 13.

The amount of GST/HST you have to charge is calculated on the total amount that you charge the purchaser. This would include amounts you charge the purchaser for your labour, your markup, and for amounts you charge to recover the costs you incurred to purchase property or services you used in making your taxable supply to the purchaser.

It is important to note that, as a GST/HST registrant, you are entitled to claim ITCs for the GST/HST you pay or owe on purchases you make and expenses you incur to provide your taxable supplies. This means that the tax payable on such purchases and expenses does not represent a cost to you because you recover the amount of that tax by claiming an ITC on your GST/HST return. As such, when calculating the amount on which you have to charge the GST/HST, you do not need to include an amount of tax for which you are entitled to claim an ITC. For more information, see "Claiming input tax credits (ITCs)" on page 19.

Example

You are an individual who is a GST/HST registrant and you operate a carpentry business. Mr. Thompson lives in Manitoba and has hired you to build him a new deck. You purchase the lumber and other materials you will use to build the deck for \$2,000 plus \$100 GST.

You recover the \$100 GST payable for your purchase of those building materials by claiming an ITC on line 106 of your GST/HST return. You calculate the amount of GST you have to charge Mr. Thompson as follows:

Labour	\$1,600
Materials	<u>\$2,000</u>
Subtotal	\$3,600

GST ($\$3,600 \times 5\%$) = \$180

Therefore, the total GST you charge Mr. Thompson is \$180.

For more information about the timing for charging the GST/HST, see "When does GST/HST become collectible?" on page 14.

Which rate of GST/HST applies to the sale of real property

Effective January 1, 2008, the GST/HST rates are:

GST 5%

HST 13% (5% federal part and 8% provincial part)

However, there are transitional rules for determining the rate of GST/HST that applies to a taxable sale of real property where the transaction straddled the effective dates for the 2006 and 2008 GST/HST rate reductions.

Sale of real property other than housing

Except for a taxable sale or self-supply of housing, the GST/HST applies on a taxable sale of real property at the rate of:

- 5% GST or 13% HST if both ownership and possession of the real property are transferred after December 31, 2007;
- 6% GST or 14% HST if both ownership and possession were transferred after June 30, 2006, and either ownership or possession was transferred before January 1, 2008; and
- 7% GST or 15% HST if either ownership or possession was transferred before July 1, 2006.

For the transitional rules that apply for determining the rate of GST/HST that applies to taxable sales of housing, see the next section. For information regarding the transitional rules for supplies of real property by way of lease, licence, or similar arrangement and taxable supplies of goods and services related to the construction industry, see Notice 226, *GST/HST Rate Reduction in 2008*. For information relating to the transitional rules that apply to the self-supply of housing, see Technical Information Bulletin B-096, *GST/HST Rate Reduction and Real Property*, or call us at 1-800-959-8287.

Special rule: sale of new housing

Under this special rule, certain taxable sales of new housing will still be subject to the GST/HST at one of the previous GST/HST rates (6%, 7%, 14%, or 15%). The following rules apply **only** to the taxable sale of new or substantially renovated housing (including the related land if the land is sold under the same written agreement as the housing). This rule does not apply in any other case.

Note

If a previous rate of tax applies, a GST/HST transitional rebate may be available to the purchaser. For more information, see page 35.

If you make a taxable sale of new housing, the GST/HST applies at the rate of:

- 5% GST or 13% HST if you enter into the written agreement with the purchaser after October 30, 2007, and both ownership and possession transfer under that agreement after December 31, 2007.
- 6% GST or 14% HST if you entered into the written agreement with the purchaser:
 - after May 2, 2006, and before October 31, 2007, and both ownership and possession transferred under that agreement after June 30, 2006; or
 - after October 30, 2007, and either ownership or possession transferred under that agreement before January 1, 2008.
- 7% GST or 15% HST if you entered into the written agreement with the purchaser before May 3, 2006.

Special rules apply to the sale of housing where the underlying land is provided by way of lease, license, or similar arrangement. For more information, see Technical Information Bulletin B-096, *GST/HST Rate Reduction and Real Property*, or call us at 1-800-959-8287.

Who remits the tax for a taxable sale of real property – vendor or purchaser?

If you make a taxable sale of real property, you generally have to charge and collect the tax on the sale, even if you are not registered for the GST/HST. However, in some cases it is the purchaser who has to remit the tax directly to us instead of paying it to you.

Note

This information does not apply if you are considered to have made a self-supply. To find out how you send us the tax for a self-supply, see the information that applies to you in the section “When you finish construction” on page 29.

If you are the vendor and you make a taxable sale of a house **to an individual**, you have to collect the GST/HST from the individual and include the GST/HST collectible in your net tax calculation on your GST/HST return for the reporting period during which the GST/HST became collectible (unless you are a non-resident).

In some other cases, it is the purchaser, not the vendor, who has to pay the tax directly to us for their real property purchase. Generally, if you are the vendor, you **do not** collect the tax from the purchaser when you make a taxable sale of real property if:

- the purchaser is registered for the GST/HST (however, as discussed above, if you make a taxable sale of a house **to an individual**, you have to collect the tax, whether or not the individual purchaser is registered, unless you are a non-resident); or
- you are a non-resident (if you are considered a resident for only certain activities you carry on through a permanent establishment in Canada, do not collect the tax).

Note

The chart on the next page summarizes the rules for who has to remit the tax for a taxable sale of real property.

If you do not have to collect the tax on your taxable sale of real property because one of the above conditions applies, the purchaser has to pay any tax due on their purchase directly to us.

Vendor collects and remits

If you have to collect the tax due on your taxable sale of real property, including a house, account for the tax as follows:

- If you are registered for the GST/HST, include the GST/HST collectible on **line 103** of your regular GST/HST return to calculate your net tax for the reporting period during which the GST/HST became collectible.
- If you are not registered for the GST/HST, report the tax collectible on **line 103** of Form GST62, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return (Non-Personalized)*. You have to file this return by the end of the month following the month in which the tax became collectible and remit the net tax due with that return.

Note

As Form GST62 is only available in pre-printed format, it is not available for download on our Web site. However you can order it using the online order form on our Web site at www.cra.gc.ca/orderforms or by calling us at 1-800-959-2221.

Purchaser pays tax directly to us

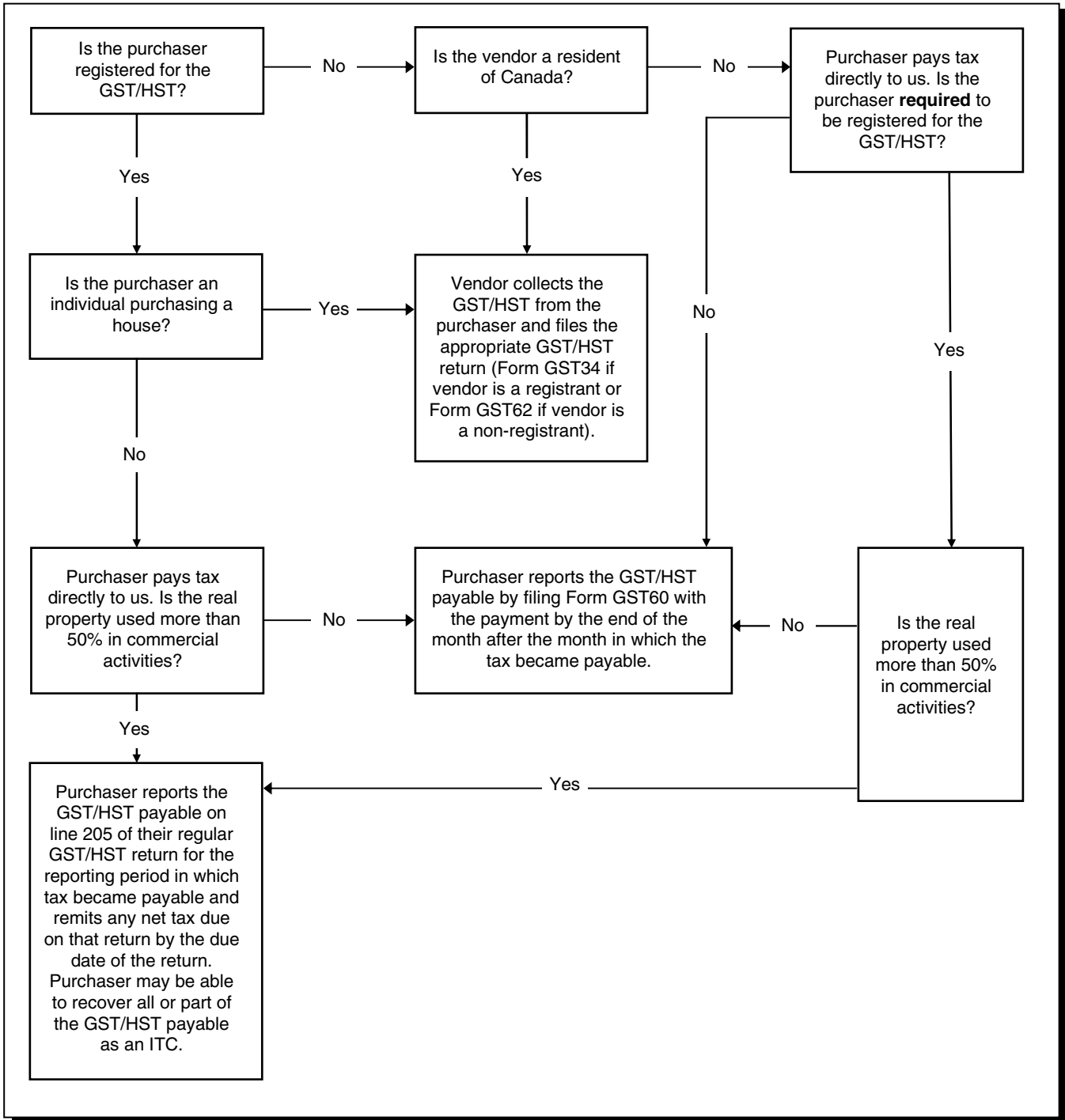
If the purchaser has to pay the tax on their purchase of real property, including a house, directly to us, the purchaser accounts for the tax as follows:

- If the purchaser is a GST/HST registrant and will use or supply the real property:
 - more than 50% in their commercial activities, they have to report the tax due on **line 205** (GST/HST due on the acquisition of taxable real property) of their regular GST/HST return for the reporting period in which the tax became payable and remit any positive amount of net tax with that return; or
 - 50% or less in their commercial activities, they have to report the tax due on Form GST60, *GST/HST Return for Acquisition of Real Property*. The purchaser has to file this return by the end of the month following the month in which the tax became payable and pay the tax due with that return.
- If the purchaser has to pay the tax directly to us (for example, because the vendor is a non-resident) and the purchaser is a non-registrant, the purchaser has to report the tax due on Form GST60. The purchaser has to file this return by the end of the month following the month in which the tax became payable and pay the tax due with that return.

Note

Form GST60 is available on our Web site at www.cra.gc.ca/gsthstpub or by calling us at 1-800-959-2221.

The following chart shows who has to account for the GST/HST on a taxable sale of real property (including a taxable sale of a house).



Which tax applies – the GST or the HST?

Generally, whether you charge the GST or the HST for a taxable supply of a good or a service depends on whether you make the supply in a participating province or in a non-participating province.

Participating province means the province of Nova Scotia, New Brunswick, or Newfoundland and Labrador.

Non-participating province means any place in Canada that is not in a participating province.

The following sections discuss the special rules for determining which tax applies to a taxable supply of real property and to services related to such property.

Place of supply rule for real property

We usually consider a supply of real property to be made in the province where it is situated. A taxable supply made in a participating province is subject to the HST, and a taxable supply made in a non-participating province is subject to the GST.

If you make a supply of real property that is located partly in a participating province and partly in a non-participating province, we treat that supply as if it were two separate supplies. This means that you will charge the GST on the part that is in the non-participating province and the HST on the part that is in a participating province.

Example

You purchase land on which you will build your new house. The purchase price of the land is \$100,000. The land is situated 65% in New Brunswick (a participating province) and 35% in Quebec (a non-participating province). Generally, this means that \$65,000 ($\$100,000 \times 65\%$) of the sale price is subject to the HST and \$35,000 ($\$100,000 \times 35\%$) of the sale price is subject to the GST. The allocation of the amount payable for the land must be reasonable.

Real property situated outside of Canada is not subject to the GST/HST. However, if part of the supply is in Canada and part is situated outside Canada, we also treat that supply as if it were two separate supplies. The GST/HST will apply to the part of the amount payable for the supply of the real property that can be reasonably attributed to the part of real property that is situated in Canada.

Place of supply rule for services related to real property

The following situations take you through the special rules to determine where we consider a supply of a service related to real property to be made.

Situation 1

If the service relates to real property that is located 90% or more in a province, then the service is considered to be made in that province, regardless of your business location.

This means that if the service relates to real property that is located 90% or more in:

- a participating province, the service is subject to the HST; or
- a non-participating province, the service is subject to the GST.

If this does not apply, see Situation 2 below.

Example

An individual owns a house and the related land located in Newfoundland and Labrador, a participating province. He hires a building inspector located in Prince Edward Island to inspect the property in Newfoundland and Labrador. Since the property is located entirely in a participating province, the inspection services are subject to the HST.

Situation 2

If Situation 1 does not apply, then you have to consider where the **place of negotiation** for the supply of the service is. Generally, the place of negotiation is the location of the supplier's permanent establishment.

If the service relates to real property that is located at least 10% in a certain province and the place of negotiation is in the same province, then the service is considered to be made in that province.

Example

An employee of a firm, who is working in the firm's New Brunswick office, negotiates the service agreement for property management services for a housing project located 30% in New Brunswick. We consider the property management services to be supplied in New Brunswick, because the place of negotiation is in New Brunswick and at least 10% of the real property to which the service relates is located in New Brunswick. As New Brunswick is a participating province, the firm has to collect the HST on its supply of its services to this client.

If Situations 1 and 2 do not apply in your case or if you are uncertain where your place of supply or place of negotiation is considered to be, call us at 1-800-959-8287.

GST/HST and provincial sales tax (PST)

Recovering the PST you paid by including it in the selling price you charge the purchaser

In the construction industry, the selling price you charge to a purchaser usually includes all applicable taxes, duties, and fees that you have to pay on your construction costs that you are unable to recover.

If you have to charge the GST/HST to a purchaser and you included an amount in the selling price to recover an amount of PST that you paid on your construction costs, you have to calculate the GST/HST on the full selling price, including any part of that price that you charged to recover the PST you paid.

Note

Remember that the 13% HST is made up of the 5% federal part and 8% provincial part. If you pay the HST on an expense and you are entitled to claim an ITC for the amount of that tax, you recover the 8% provincial part of the HST by claiming the ITC. This means that the 8% provincial part does not represent a cost to you and you do not need to include it in your selling price to recover it.

Example

A structural steel contractor is a GST/HST registrant located in British Columbia. The contractor enters into a contract to supply and install structural steel for a building project. For PST purposes, the value of the fabricated steel the contractor buys is \$80,000. The PST rate is 7%. The structural steel contractor pays \$5,600 in PST ($\$80,000 \times 7\%$). The PST is not recoverable and the contractor includes this amount in the contract-selling price to the customer. The contractor also had to pay GST on its purchase of the fabricated steel; however, because the contractor is entitled to recover the amount of that GST by claiming an ITC, the contractor does not include this amount in the contract selling price it charges its customer.

In addition, the contractor includes \$10,000 in the contract selling price for the contractor's on-site labour and a mark-up of \$18,000 for the materials.

The contractor calculates the total amount payable by the customer as follows:

Fabricated steel	\$80,000
Provincial sales tax 7%	5,600
On-site labour	10,000
Mark-up	<u>18,000</u>
Contract selling price	\$113,600
GST ($113,600 \times 5\%$)	<u>5,680</u>
Total payable by customer	<u>\$119,280</u>

The \$5,600 PST is part of the steel contractor's costs to provide and install the fabricated steel under the contract terms. As shown above, the contractor includes the cost of the PST in the contract selling-price of \$113,600, and calculates the GST on that contract selling price ($\$113,600 \times 5\%$).

Charging GST and PST on your sale

If you have to charge the purchaser both the GST and the PST, calculate the GST on the price of the item before the PST is added. Check with provincial officials for details on how to calculate the PST in relation to the GST. Remember that in the participating provinces, the HST already includes the 8% provincial part.

When does GST/HST become collectible?

It is important to know when the GST/HST becomes collectible for a taxable supply you make, as you have to report the amount of that GST/HST on your GST/HST return for the reporting period in which the tax became collectible even if you have not yet actually collected the tax from your customer.

Note

The GST/HST becomes payable by a purchaser on the same day that it becomes collectible by you. If a purchaser is a registrant, they may be entitled to claim an ITC for that tax in their GST/HST return for their reporting period in which the tax becomes payable by them, if all of the conditions for claiming an ITC are met.

The following sections discuss the general rule for determining when the GST/HST becomes collectible, and the exceptions to this rule.

General rule

The GST/HST for a taxable supply becomes collectible on the earlier of:

- the day the purchaser pays the amount due for the supply; or
- the day the payment for the supply becomes due.

Note

We usually consider the payment for the supply to become due on the date you issue an invoice for the amount or on the due date specified in a written agreement, whichever date is earlier.

If the payment becomes due before the purchaser pays it, the GST/HST is collectible on the full amount due from the purchaser, even if they do not make a payment or they pay less than the full amount due.

Partial payments

The general rule also applies to partial payments that become payable over a series of dates. In this case, the GST/HST becomes collectible on the amount of each partial payment (other than partial payments in respect of a sale of real property) on the earlier of:

- the day the purchaser pays the partial payment; and
- the day the partial payment becomes due.

Leases of real property

The GST/HST becomes collectible on **each** lease payment on the earlier of:

- the day the lessee pays the lease payment; and
- the day the lease payment is due according to the written agreement.

Sale of real property

The GST/HST for a taxable sale of real property (including a new house) becomes collectible on the earlier of:

- the day you transfer ownership to the purchaser; and
- the day you transfer possession to the purchaser under an agreement to transfer ownership.

Special rule: residential condominium units

If you sell a new residential condominium unit and the condominium complex in which the unit is located is not registered as a condominium before you transfer possession to the purchaser, the GST/HST becomes collectible on the earlier of:

- the day you transfer ownership to the purchaser; and
- the day that is 60 days after the condominium complex is registered as a condominium.

Deposits

For GST/HST purposes, a deposit is an amount given by a purchaser as security for the performance of a future obligation.

If you collect a deposit from a purchaser for a taxable supply of property or services you will make, we do not consider it to be a payment until you apply it as a payment toward the amount the purchaser owes you for the taxable supply, or until the purchaser forfeits the deposit because of a modification, violation, or cancellation of the agreement. This applies whether the deposit is refundable or not.

Deposit applied as a payment

The GST/HST is collectible on the day you apply the deposit as a payment.

Deposit forfeited by purchaser

When the purchaser forfeits the deposit because of a modification, violation, or cancellation of the agreement, we consider the amount of the deposit to include GST/HST. You are considered to have collected the amount of the tax included in the deposit on the day that the purchaser forfeits the deposit and you have to report the amount of the tax included in the deposit on your GST/HST return for the reporting period that includes that day.

To calculate the amount of the GST/HST included in a deposit that was forfeited after December 31, 2007, multiply the amount that was forfeited by:

- 5/105, if the supply is subject to GST at 5%; or
- 13/113, if the supply is subject to HST at 13%.

Use this calculation even if the purchaser made the deposit before January 1, 2008.

Note

The purchaser who forfeited the deposit is considered to have paid the GST/HST. As a result, they may be entitled to claim an ITC for the GST/HST included in the forfeited amount if they are a GST/HST registrant.

Progress Payments

When construction extends over a period of time, the written contract often calls for the purchaser to make progress payments as the work on the project proceeds. These payments are not deposits and are usually for work completed, but they can also be made in anticipation of work being completed.

Generally, the GST/HST becomes collectible on each progress payment (other than progress payments in respect of a sale of real property) on the earlier of:

- the day the purchaser pays the progress payment; and
- the day the progress payment becomes due.

Part of work completed

A contract may state that a payment, other than a deposit, becomes due when you complete certain parts of the contract (for example, pouring a foundation) or when certain events have occurred (for example, preliminary inspection of a building).

The GST/HST becomes collectible on the day you complete the work or on the day the specific event occurs, as specified in the contract, unless the amount of the payment is paid before that date. In this case, the GST/HST is collectible on the date the payment is made.

Value of work completed

Your contract may state that you can request a payment based on the value of work completed. In this case, another person, usually a consultant, an engineer, or an architect, has to approve the work and issue a certificate stating the value of the work completed. Generally, the purchaser has to make the payment within a certain number of days after the consultant, engineer, or architect issues the certificate.

In this situation, your request or application for payment is not considered to be an invoice, since it is only a request that an assessment be made of the work completed and that a certificate for payment be issued according to the contract. Therefore, the GST/HST does not become collectible at the time of the request or application.

The GST/HST becomes collectible on the day the purchaser makes the payment or on the day the payment becomes due under the terms of the contract (for example, 10 days after the certificate is issued), whichever day is earlier.

When you cannot establish the value

When it is not possible to establish the value of all or part of a payment that is due on a particular day, the GST/HST is collectible on the part of the payment for which the value can be determined on that day.

For all or part of the payment that you cannot establish the value on that day, the GST/HST becomes collectible on the day you can establish the value of the payment or the remaining part of the payment.

Holdbacks

A holdback occurs when a person purchases goods or services and keeps part of the payment for those goods or services until the person is satisfied with the condition of the goods or the performance of the service.

If, in accordance with federal or provincial law or a written agreement for the construction, renovation, alteration, or repair of real property, a purchaser keeps a part of a payment as a holdback pending satisfactory completion of the work, the GST/HST on the amount of the holdback becomes collectible on the earlier of:

- the day the purchaser pays you the amount of the holdback; and
- the day the holdback period expires.

The GST/HST is collectible by you on the earlier of the above dates even if you already issued an invoice for the holdback amount and charged the GST/HST on this amount.

If federal or provincial law or a written agreement for the construction, renovation, or alteration of, or repair to, real property does not provide for a holdback, the general rule, discussed on page 14, applies. The general rule also applies if the purchaser pays the full amount and does not keep a part of the payment as a holdback, even if the written agreement or federal or provincial law allows the purchaser to make a holdback.

Substantially completed

A special rule applies to written contracts for constructing, renovating, altering, or repairing real property when the work is substantially completed. If you substantially complete the work specified in the contract and the purchaser has not paid for the work, or the payment has not yet become due, the GST/HST becomes collectible by the end of the month after the month in which you substantially completed the work. This special rule does not apply to holdbacks described in the previous section. Generally, we consider the construction, renovation, alteration, or repair to be substantially complete when 90% or more of the work is complete.

Example

You enter into a written agreement to repair a deck that is attached to a house. You finish most (90%) of the work on October 20, 2008, but you have not billed the owner of the house by the end of November and the owner has not paid you. There is no holdback provision in your agreement or under any federal or provincial law. Although the amount payable for your work is specified in your agreement, the agreement does not include a date for when payment is due. The GST/HST for your work becomes collectible on November 30, 2008. You have to include the GST/HST collectible on the full consideration (total price) payable for your work in your net tax calculation for your reporting period that includes November 30, 2008.

Combined supplies

If you supply any combination of goods, services, and real property for an all-inclusive price (the price of each element is not separately identified), the time at which GST/HST becomes collectible depends on the situation.

Situation 1

If the value of one element can reasonably be seen as exceeding the value of each of the other elements, for purposes of determining when tax becomes collectible, we consider the combined supply to be a supply of that element.

For example, if a sale includes real property and certain goods, and it is reasonable to conclude that the value of the real property exceeds the value of each good, then the entire sale is considered to be a sale of real property for purposes of determining when the tax becomes collectible. As such, to determine when the GST/HST becomes collectible on that sale, you have to use the rules that apply for the sale of real property, discussed on the previous page.

Situation 2

In any other case:

- if real property is an element of the combined supply, we consider the combined supply to be a supply of real property only, and you have to use the rules that apply for the sale or lease of real property. To determine when the GST/HST becomes collectible, see page 14; or
- if real property is not an element of the combined supply, the combined supply is considered to be a supply of a service only, and you have to use the general rule. To determine when the GST/HST becomes collectible, see page 14. However, if one of the exceptions to the general rule applies (for example, if the customer makes a deposit or a progress payment), use the rule that applies for that particular exception, as discussed in the previous sections.

Paying GST/HST

You will likely have to pay the GST/HST on most of the purchases you make to build or substantially renovate a house, including most purchases of land and buildings. GST/HST becomes payable by you as a purchaser on the same day that it becomes collectible by the vendor. Follow the rules explained in the previous section, to see when you are required to pay the tax on your purchases and expenses.

Note

As a registrant, you can generally recover some or all of the GST/HST you paid or owe on the purchases and expenses that you use, consume, or supply in your commercial activities. You can claim an ITC for that tax in your GST/HST return for your reporting period in which the tax becomes payable by you, even if you have not yet paid the tax, as long as all of the conditions for claiming an ITC are met. For more information, see “Claiming input tax credits (ITCs)” on page 19.

Certain purchases of real property may be exempt. For example, most purchases of previously occupied residential housing are exempt. If you acquire exempt real property, you do not have to pay the GST/HST.

If you purchase real property that is taxable, you may have to remit the tax directly to us instead of paying the tax to the vendor. For more information, see “Who remits the tax for a taxable sale of real property – vendor or purchaser?” on page 11.

Note

The chart on page 12 summarizes the rules for who has to remit the tax on a sale of real property – the vendor or the purchaser.

Filing GST/HST returns

As a GST/HST registrant, you have to file regular GST/HST returns, according to your reporting period, to report the tax you have to charge and collect on your taxable supplies. You also claim any ITCs to which you are entitled on your GST/HST return. For more information, see “Calculating your net tax (line 109 of your GST/HST return)” later on this page.

We will automatically send you Form GST34, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return for Registrants*, for each reporting period. This form is personalized and includes pre-printed information about your account.

Note

Use Part 1 on the first page of your GST34 return as a working copy. Keep it for your records. File your return by completing, detaching, and sending us Part 2 **on the bottom of page 3**.

If you do not receive a personalized return within 15 working days of the end of your reporting period, or if you misplace it, you can use Form GST62, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return (Non-personalized)* instead. This non-personalized form contains all of the same information as the personalized return, except you have to enter your personal data.

Note

Use Part 1 on the top of the front page of the GST62 non-personalized return as a working copy for your records. Part 2 is located on the bottom of the front page. File your return by completing, detaching, and sending us Part 2.

To order Form GST62, you can:

- visit our Web site at www.cra.gc.ca/orderforms; or
- call us at 1-800-959-2221.

You still have to file your return by the due date even if you do not receive your personalized return on time.

Note

If you are a non-resident, complete your GST/HST return in Canadian-dollar amounts, and remit any amounts owing in Canadian funds.

Reporting periods

Reporting periods are the periods of time for which you file a GST/HST return. A reporting period can be a calendar or fiscal year, a calendar or fiscal quarter, or a calendar or fiscal month. When you register for the GST/HST, we assign you the reporting period that requires you to file your GST/HST returns the least frequently. You may be able to choose, based on the amount of your taxable supplies from your previous fiscal year, one of the optional reporting periods. For more information, see Guide RC4022, *General information for GST/HST Registrants*.

Filing and remitting due dates

Monthly and quarterly filers

If your reporting period is monthly or quarterly, you have to file your GST/HST return and remit any amount owing no later than one month after the end of your reporting period.

Annual filers

If your reporting period is annual, you usually have to file your return and remit any amount owing no later than three months after the end of your fiscal year.

Exception

Your GST/HST remittance is due by April 30 if:

- you are an individual with business income for income tax purposes;
- you file annual GST/HST returns; and
- you have a December 31 fiscal year-end.

Although your GST/HST remittance is due April 30, you have until June 15 to file your GST/HST return.

As an annual filer, you may also have to pay quarterly instalments. If so, they are due no later than one month after the last day of each fiscal quarter. For more information, see Guide RC4022.

Calculating your net tax (line 109 of your GST/HST return)

You need to calculate your net tax for each reporting period and report this amount on **line 109** of your GST/HST return. To calculate your net tax:

- total the GST/HST that became collectible by you during the reporting period and any GST/HST that you collected during the reporting period that did not become collectible during the reporting period or any earlier reporting period (include amounts of GST/HST that you collected in error); and
- subtract the total GST/HST that you paid or that became payable during the reporting period for your business purchases and expenses for which you can claim an ITC. For information on how to calculate your ITCs and the time limit for claiming ITCs, see “Claiming input tax credits (ITCs)” on page 19.

The result of this calculation, including any adjustments, is called your **net tax**. If you had to charge more GST/HST than you paid or owe, send us the net tax amount. If you paid or owe more GST/HST than you had to charge, you can claim a net tax refund.

For most businesses, this calculation is straightforward. However, to help reduce paperwork and bookkeeping costs, most small businesses can, instead, use the Quick Method of accounting to calculate their net tax. For more information, see “Using the Quick Method of accounting to calculate your net tax” later on this page.

GST/HST charged and not collected

You are liable for the GST/HST you have to charge on supplies of taxable property or services you provide as of the day the tax becomes collectible, which is the day your customer is required to pay the tax. You have to account for the tax that is collectible on the full amount due from your customer even if you have not received the amount from the customer.

Include the GST/HST that is collectible from your customer, whether you collected it or not, on **line 103** of your GST/HST return for the reporting period in which the amount became collectible. The reporting period that includes the day the tax becomes collectible (or the day the tax is collected without having become collectible) is the only reporting period in which you can account for the tax in your net tax calculation.

For more information, see “When does GST/HST become collectible?” on page 14.

GST/HST payable and not paid

If you acquire property or a service (for example, purchase or lease property or purchase a service), you can claim an ITC for the GST/HST due on that acquisition as long as the tax was paid or has become payable, and all other conditions for claiming an ITC are met. This means that you can claim an ITC for the GST/HST you owe to your suppliers before you pay it.

To claim an ITC, you can include the amount of tax that is payable on **line 106** of your GST/HST return for the reporting period in which the amount was paid or became payable. For more information on the conditions for claiming ITCs, such as the documentation that you must have to support your claim and the time limit for claiming ITCs, see “Claiming input tax credits (ITCs)” on the next page.

Note

If you acquire property or a service, the GST/HST becomes payable on the same day that it becomes collectible by the vendor. Therefore, to determine the day the tax becomes payable by you (as a purchaser), if you are entitled to claim an ITC for an amount of tax, see “When does GST/HST become collectible?” on page 14. The reporting period that includes the day the tax becomes payable is the first reporting period in which you can include the ITC in your net tax calculation. For more information, see “Time limit for claiming your ITCs” on the next page.

Using the Quick Method of accounting to calculate your net tax

The Quick Method of accounting is a simplified way to calculate your net tax. You may begin to use this method if your annual worldwide taxable supplies and the taxable supplies of persons associated with you for GST/HST purposes (including zero-rated supplies) are not more than \$200,000 (including GST/HST) in any four consecutive fiscal quarters over the last five fiscal quarters. The \$200,000 limit does not include the following:

- supplies of financial services;
- sales of real property;
- sales of capital assets; and
- goodwill.

Certain businesses cannot use the Quick Method, for example, accountants, lawyers (or law offices), and tax return preparation providers or tax consultants. For more information on who can use the Quick Method of accounting, see Booklet RC4058, *Quick Method of Accounting for GST/HST*.

How does the Quick Method work?

With the Quick Method, you charge and collect the GST/HST on taxable goods and services you supply to your customers in the usual way. However, to calculate the amount of your net tax, you multiply your taxable supplies including GST/HST made during the reporting period by the Quick Method remittance rate (or rates) that apply to those supplies.

The remittance rates are less than the GST/HST rates of tax that you have to charge, as they take into account the GST/HST you pay on purchases and expenses. Therefore, using the remittance rates, you remit only a part of the tax that you collect, or that is collectible.

As you remit only a part of the tax that you collect, or that is collectible, you cannot claim ITCs for your operating expenses when you use the Quick Method. You can, however, claim ITCs for certain purchases, such as purchases of land and purchases for which you can claim a capital cost allowance for income tax purposes, such as computers, vehicles, and other large equipment and machinery.

If you elect to use the Quick Method, you have to continue using it for at least one year. There are other exceptions as well. For more information on how the Quick Method works, how to elect to use it, and what remittance rate(s) to use, see Booklet RC4058.

Note

Different simplified accounting methods are available for charities, qualifying non-profit organizations, and other public service bodies. For information on these simplified accounting methods, see the following publications:

- Booklet RC4247, *The Special Quick Method of Accounting for Public Service Bodies*;
- Guide RC4082, *GST/HST Information for Charities*;

- Guide RC4081, *GST/HST Information for Non-Profit Organizations*; and
- Guide RC4049, *GST/HST Information for Municipalities*.

Claiming input tax credits (ITCs)

As a registrant, you can generally recover the GST/HST you paid or owe on your purchases and expenses to the extent that they are for consumption, use, or supply in your commercial activities (that is, in making taxable supplies) by claiming an ITC. You claim your ITCs on **line 106** of your GST/HST return.

To claim an ITC, the expenses or purchases must be reasonable in quality, nature, and cost in relation to the nature of your business.

Note

You may be able to use the Simplified Method for claiming ITCs for most of the tax you pay on your purchases. For more information, see “Simplified Method for claiming ITCs” later on this page.

However, there are some purchases and expenses for which you **cannot** claim an ITC, such as:

- certain capital property (for example, certain purchases of real property, vehicles, and computers. For more information, see “Claiming ITCs for capital property” on the next page);
- taxable goods and services you bought or imported to provide exempt goods and services; and
- goods or services you bought or imported for your personal consumption, use, or enjoyment.

The rules for claiming ITCs are different depending on the nature of the expense and, in some cases, who the purchaser is (for example the rules for claiming ITCs for real property purchased by a corporation are not the same as the rules for real property purchased by an individual). The sections that follow will discuss the rules for claiming ITCs for:

- operating expenses;
- capital personal property; and
- capital real property.

If you are a new registrant, you may be able to claim an ITC for the GST/HST you paid or owe on goods such as capital property and inventory that you have on hand on the day you register. For more information, see Guide RC4022, *General Information for GST/HST Registrants*.

Time limit for claiming your ITCs

Most registrants claim their ITCs when they file their GST/HST return for the reporting period in which they made their purchases. However, you may not have claimed ITCs when you filed the return for the reporting period in which the ITC could have first been claimed.

If so, you can claim those ITCs in a future GST/HST return as long as it is filed by the due date of the return for the last reporting period that ends within four years after the end of the reporting period in which the ITC could have first been claimed.

Example

You are a quarterly filer and you buy a new table saw on October 10, 2007, for use exclusively in your house construction business. You paid GST on the purchase, and you are entitled to claim an ITC. Your reporting period that includes this date is October 1, 2007, to December 31, 2007. The due date of the return for this reporting period is January 31, 2008.

You have up to four years from January 31, 2008, to claim ITCs for tax that became payable or was paid without becoming payable in the October 1, 2007, to December 31, 2007, reporting period. This means that you can claim the ITC for the table saw in any future return due to be filed on or before January 31, 2012.

In some cases, the time limit for claiming ITCs for a reporting period is reduced from four to two years. For example, if your total annual revenues from taxable supplies of goods and services was more than \$6 million for each of the two preceding fiscal years, your time limit may be reduced. For more information, see Guide RC4022.

Simplified Method for claiming ITCs

The Simplified Method for claiming ITCs is an alternative way for eligible registrants to calculate their ITCs.

When you use the Simplified Method, you do not have to show GST/HST separately in your records. You only need to total the amount of your taxable purchases for which you can claim an ITC. However, you have to keep the usual documents to support your ITC claims for audit purposes. For example, your invoices relating to your purchases must show the GST/HST charged on your purchases.

You can use the Simplified Method if your annual worldwide revenues from taxable supplies of goods and services (including those of your associates) were \$500,000 or less in your last fiscal year.

Your total taxable supplies (including the taxable supplies of persons who are associated with you for GST/HST purposes) for all preceding fiscal quarters of the current fiscal year must also be \$500,000 or less. These limits do not include supplies of goodwill, zero-rated financial services, or sales of capital real property.

Also, you must have \$2 million or less in taxable purchases made in Canada in your last fiscal year to qualify to use this method. The \$2 million purchase limit does not include zero-rated purchases, but includes purchases imported into Canada or brought into a participating province.

If you are a public service body, you must be able to reasonably expect that your taxable purchases in the current fiscal year will not be more than \$2 million.

For information on using this method to calculate your ITCs, see Guide RC4022.

Claiming ITCs for operating expenses

Some examples of operating expenses for which you may be entitled to claim a full or partial ITC include commercial rent, equipment rentals, advertising, utilities, and office supplies.

If you intend to use at least 90% of an operating expense for your commercial activities, you can claim a full ITC for the GST/HST you pay or owe on that expense.

If you intend to use at least 90% of an operating expense for making exempt supplies, you cannot claim an ITC for the GST/HST you pay or owe on that expense. For example, if you hire a waste disposal company to remove refuse from an apartment building that you rent out for long-term residential use only (an exempt activity), you cannot claim an ITC for the GST/HST you pay or owe to the waste disposal company.

If you provide both taxable and exempt goods and services and you cannot attribute at least 90% of an expense to a taxable or exempt activity, you can only claim ITCs for the part of the expense you use in your commercial activities.

Example

You own a building that you constructed in Nova Scotia. You lease 60% of the building for long-term residential use by individuals (an exempt activity). You use the remaining 40% of the building for your construction business (a commercial activity). The residential rents include utilities.

Your utility bill for the building that is used for both commercial and exempt activities includes \$80 HST. You can claim an ITC for 40% of the HST you pay or owe on your utility bill, as you are using the building 40% in commercial activities:

$$\$80 \times 40\% = \$32$$

The method you use to determine the percentage of operating expenses you use in commercial activities has to be fair and reasonable and used consistently throughout the year. For example, a method commonly used is the number of square metres of space used in commercial activities relative to the total square metres of space of the building.

Claiming ITCs for meal and entertainment expenses

You can claim ITCs for the GST/HST you pay or owe on reasonable meal and entertainment expenses that relate to your commercial activities by using, in most cases, the same limitation rules as those for income tax purposes. When the expense deduction for income tax purposes is limited to 50% of the cost of meals and entertainment, then only 50% of the GST/HST you pay on those expenses qualifies for ITCs.

Note

The above rule does not apply to charities or public institutions. These persons do not have to reduce the amounts by 50% when they are entitled to claim ITCs for meal and entertainment expenses.

You can choose one of the following two ways to calculate your ITCs for meal and entertainment expenses:

- You can claim 100% ITCs for these expenses throughout your fiscal year. If you file monthly or quarterly GST/HST returns, add the 50% adjustment for the excess ITCs you claimed during the year to your net tax calculation for the first reporting period after the end of your fiscal year. If you file annually, add the 50% adjustment to your net tax calculation for that fiscal year. Enter the adjustment on **line 104** of your return.
- You can claim 50% of the actual GST/HST you pay or owe on these expenses during each reporting period. By choosing this method, you do not have to make any adjustments at the end of your fiscal year.

You can claim ITCs for the GST/HST you reimburse to your employees and partners for meal and entertainment expenses they incurred in Canada. However, these expenses are also subject to the 50% limit.

Claiming ITCs for capital property

What is capital property?

The meaning of capital property for GST/HST purposes is based on the meaning of the term for income tax purposes.

Capital property is:

- any depreciable property. This means property for which you are eligible or would be eligible to claim a capital cost allowance for income tax purposes; and
- any property, other than depreciable property, from which any gain or loss if you disposed of the property would be a capital gain or capital loss for income tax purposes.

Generally, capital property is property you purchase for investment purposes or to earn income from its use rather than its sale. It may include:

- real property, such as land or a building. For information on claiming ITCs on such property, see "Claiming ITCs for purchases of capital real property" on page 23; and
- personal property that you use in your business. Some examples of such property include:
 - equipment and machinery;
 - vehicles;
 - photocopiers and computers;

- furniture and appliances used to furnish places such as offices and lobbies; and
- free-standing refrigerators, ovens, and other large appliances (built-in appliances are fixtures that are usually considered to be part of the real property as opposed to being individual items of personal property).

Note

Capital property for GST/HST purposes does not include property described for income tax purposes in class 12 (such as chinaware, cutlery, or other tableware costing less than \$200), class 14 (certain patents, franchises, concessions, or licences for a limited period), or class 44 (a patent or a right to use patented information for a limited or unlimited period). You can claim ITCs for these items based on the rules for operating expenses explained on the previous page.

Claiming ITCs for purchases of capital personal property

The general rules for claiming ITCs for capital personal property, other than passenger vehicles and aircraft, are as follows:

- If your use of the capital personal property is primarily (more than 50%) in your commercial activities, you can claim a full ITC.
- If your use of the capital personal property is 50% or less in your commercial activities, you cannot claim an ITC.

For more information if you purchase a passenger vehicle or aircraft, see “Special rule: claiming ITCs for passenger vehicles and aircraft,” later on this page.

Note

The above rules do not apply for determining ITCs for purchases of real property. For more information, see “Claiming ITCs for purchases of capital real property,” on page 23.

The chart on the next page is a quick reference to the rules for claiming ITCs on capital personal property.

Example

You buy a computer for \$2,000 plus GST/HST. You will use the computer 70% in your commercial activities and 30% for personal use. Since you will use the computer more than 50% in your commercial activities, you can claim an ITC for the full amount of the GST/HST you pay or owe for the purchase of the computer.

If you sell capital personal property

If you sell capital personal property that was used more than 50% in your commercial activities, you have to charge GST/HST on the sale. However, you do not charge GST/HST on the sale if the property was used 50% or less in your commercial activities.

Claiming ITCs for improvements to capital personal property

An improvement to capital personal property means any property or service acquired or goods imported to improve the capital personal property, to the extent that the price paid for those acquisitions or importations is included in determining the adjusted cost base of the capital personal property for income tax purposes.

If you are a GST/HST registrant, you can claim an ITC for the GST/HST you pay or owe for the acquisition or importation of an improvement to such property, if you are using the capital personal property primarily (more than 50%) in your commercial activities.

Note

If the improvement is to a passenger vehicle or aircraft, you can add the cost of the improvement to the adjusted cost base of the passenger vehicle or aircraft. However, you cannot include any amount for improvements to a passenger vehicle that will make the adjusted cost base exceed the capital cost limitation. For more information on claiming ITCs for passenger vehicles, see “Special rule: claiming ITCs for passenger vehicles and aircraft” below.

Special rule: claiming ITCs for passenger vehicles and aircraft

Corporations follow the same general rules for claiming ITCs on capital personal property, mentioned above, to determine their ITCs for passenger vehicles and aircraft.

However, individuals and partnerships have to claim ITCs for passenger vehicles and aircraft based on the capital cost allowance (CCA) claimed for income tax purposes. If their use in commercial activities is either 10% or less or 90% or more, see the chart on the next page for the rules.

You usually calculate your CCA for income tax purposes at the end of your fiscal year.

Once you have calculated your CCA, calculate your ITC as follows:

- $CCA \times 5/105$, if you paid GST on the purchase;
- $CCA \times 13/113$, if you paid HST on the purchase; or
- $CCA \times 8/108$, if you brought the vehicle or aircraft into a participating province.

Note

These calculations only apply if your tax year ends on or after January 1, 2008. For the calculation that would apply for a tax year that ends before January 1, 2008, if you need to calculate an ITC that you were previously entitled to and that ITC is based on CCA from that particular tax year, see the chart “ITCs for acquisition of capital personal property” on the next page.

Example

You are self-employed and use your vehicle both in your commercial activities and for personal use. You paid GST on the purchase of the vehicle. You use the vehicle 60% in commercial activities.

Your tax year ended on September 30, 2008. The CCA that you claimed for income tax purposes for your vehicle was \$3,000. The ITC you can claim is \$142.86, calculated as follows:

$$\$3,000 \times 5/105 = \$142.86$$

ITCs for acquisition of capital personal property

	Percentage of use in commercial activities	Corporations	Partnerships	Individuals	Public service bodies	Financial institutions
Personal property	≤ 50%	None	None	None	None	% of use
	> 50%	100%	100%	100%	100%	% of use
Passenger vehicles¹ and aircraft	≤ 10%	None	None	None	None	% of use
	> 10% to 50%	None	CCA ²	CCA ²	None	% of use
	> 50% to < 90%	100%	CCA ²	CCA ²	100%	% of use
	≥ 90%	100%	100%	100%	100%	% of use

¹ The part of the cost of passenger vehicles eligible for an ITC is limited to the capital cost limitation, which is \$30,000 for 2003, 2004, 2005, 2006, 2007, and 2008 (the amount does not include federal or provincial sales taxes).

² CCA refers to the capital cost allowance for income tax purposes. You determine your ITC annually using the following formulas:

For tax years ending on or after January 1, 2008

CCA × 5/105, if you paid GST, CCA × 13/113 if you paid HST;

For tax years ending after July 1, 2006, and before January 1, 2008

CCA × 6/106, if you paid GST, CCA × 14/114 if you paid HST;

For a tax year that includes July 1, 2006

CCA × 6.5/106.5, if you paid GST, CCA × 14.5/114.5 if you paid HST; or

For tax years ending before July 1, 2006

CCA × 7/107, if you paid GST, CCA × 15/115 if you paid HST.

When you pay the 8% provincial part of the HST for a vehicle you brought into a participating province for business purposes, you may claim an ITC by using the formula CCA × 8/108. If you use the vehicle in both commercial and non-commercial activities, only the part of the CCA attributable to the commercial activities may be used to calculate your ITC.

Change-in-use rules for capital personal property

The following change-in-use rules do not apply to an individual or a partnership that changes the use of a passenger vehicle or an aircraft.

Basic tax content (BTC)

Generally, you have to calculate the BTC of capital property when you change the use of the property because the amount of any tax payable or ITC entitlement that results from the change in use is based on the amount of the BTC of the property.

We have simplified the BTC formula to accommodate most registrants. It may not apply to some registrants, such as selected listed financial institutions. For more information, call us at 1-800-959-8287.

Generally, the basic tax content formula is as follows:

$$(A - B) \times C$$

A is the GST/HST payable for the last acquisition and the GST/HST payable for subsequent improvements to the property;

B is the amount of the GST/HST you were entitled to recover by rebate, refund or remission (not including ITCs) for your last acquisition of the property and any improvements you made to the property since you last acquired it;

C is the lesser of:

- 1; and
- the fair market value of the property at the time of the change in use **divided by** the total cost (not including GST/HST) for your last acquisition of the property and any improvements you made to the property since you last acquired it.

Changing the use to more than 50% in commercial activities

When you buy capital personal property for use 50% or less in commercial activities, you cannot claim ITCs to recover the GST/HST you paid or owe on the purchase. However, if you later change the use of that property to primarily (more than 50%) in commercial activities, you are considered to have purchased the property and to have paid GST/HST equal to the BTC of the property at the time of the change in use and you can claim an ITC based on the BTC.

Note

If you later change the use again and begin to use the property 50% or less in commercial activities, you may have to repay a part or all of the GST/HST you claimed as an ITC. For more information, see “Changing the use to 50% or less in commercial activities” below.

Example

You operate several commercial and long-term residential rental buildings in Saskatchewan. You pay GST on the purchase of a tractor that you use 60% in the operation of the residential buildings (exempt activity). You use the tractor 40% in the operation of the commercial buildings (commercial activity). As you are not using the tractor primarily (more than 50%) in commercial activities you cannot claim an ITC for this purchase, and you are not entitled to any refunds or rebates.

Cost of tractor.....	\$10,000
GST payable ($\$10,000 \times 5\%$)	\$500

Later, you change the use of the tractor and begin using it 70% for the commercial buildings. If the fair market value of the tractor is \$7,000 when you change the use and you have not made any improvements to the tractor, you can claim an ITC based on the basic tax content of the tractor at the time of the change in use as follows:

$$\begin{aligned}\text{Basic tax content} &= (A - B) \times C \\ &= (\$500 - \$0) \times (\$7,000 / \$10,000) \\ &= \$350\end{aligned}$$

You can claim an ITC of \$350 by including it on **line 106** of your GST/HST return for the reporting period during which the change in use occurs, or a subsequent reporting period that is within the time limit for claiming ITCs.

Changing the use to 50% or less in commercial activities

When you buy capital personal property for use primarily (more than 50%) in your commercial activities, you can claim ITCs to recover the GST/HST you paid or owe on your purchase. However, if you later change the use of the property to 50% or less in commercial activities, you have to repay all or part of the GST/HST you previously claimed as an ITC by including an amount equal to the BTC of the property on **line 103** of your GST/HST return for the reporting period in which the change in use occurs.

Example

You are the operator described in the previous example. After changing the use of the tractor to primarily commercial activities, you change the use again and begin to use it 30% in your commercial activities and 70% in your exempt activities. As you are no longer using it primarily in commercial activities, you have to repay all or a part of the ITCs you previously claimed.

The tractor’s fair market value at the time of this change in use is \$4,000 and you have not made any improvements to the tractor. You calculate the BTC of the tractor as follows:

$$\begin{aligned}\text{Basic tax content} &= (A - B) \times C \\ &= (\$500 - \$0) \times (\$4,000 / \$10,000) \\ &= \$200\end{aligned}$$

You have to add GST of \$200 in your net tax calculation by including this amount on **line 103** of your GST/HST return for the reporting period during which the change in use occurs. The \$200 can only be included in the net tax calculation for that reporting period.

Claiming ITCs for purchases of capital real property

There are four different sets of rules for claiming ITCs for capital real property, depending on whether you are:

- a corporation or a partnership;
- an individual;
- a public service body; or
- a financial institution.

Note

The chart on the next page summarizes the ITC rules that are explained in the following sections.

Corporations and partnerships

The rules for claiming ITCs are as follows:

- If the use of the capital real property in commercial activities is **10% or less**, no ITC is available.
- If the use of the capital real property in commercial activities is **more than 10%** and **less than 90%**, you can claim ITCs based on the percentage of use in commercial activities.
- If the use of the capital real property in commercial activities is **90% or more**, you can claim a full ITC.

Individuals

Individuals have to follow the same rules for claiming ITCs for capital real property as those mentioned for corporations and partnerships. However, an individual cannot claim any ITC for a purchase of capital real property if they use the property more than 50% for their personal use and enjoyment, or for that of a related individual, either individually or in combination.

Public service bodies (PSBs)

A PSB means a non-profit organization, a charity, a municipality, a school authority, a hospital authority, a public college, or a university.

For information on ITC rules that apply to PSBs when they purchase real property, see the following guides:

- RC4049, *GST/HST Information for Municipalities*;
- RC4081, *GST/HST Information for Non-Profit Organizations*; and
- RC4082, *GST/HST Information for Charities*.

Financial institutions

Financial institutions have to claim their ITCs for capital real property based on the percentage of use in commercial activities, regardless of whether the property is used 10% or less (or 90% or more) in commercial activities.

ITCs for capital real property				
Percentage of use in commercial activities	Corporations and partnerships***	Individuals	Public service bodies**	Financial institutions
≤ 10%	None	None	None	% of use
> 10% to 50%	% of use	% of use*	None	% of use
> 50% to < 90%	% of use	% of use	100%	% of use
≥ 90%	100%	100%	100%	% of use

* Individuals cannot claim an ITC if the property is used more than 50% for their personal use, or for that of a related individual, either individually or in combination.

** Where a PSB is determining ITCs in respect of real property for which it has not made an election.

***Where a PSB is determining ITCs in respect of real property for which it has made an election. For information on the election, see Guides RC4081, *GST/HST Information for Non-Profit Organizations*, or RC4082, *GST/HST Information for Charities*.

Claiming ITCs for improvements to capital real property

An improvement to capital real property means any property or service acquired or goods imported to improve the capital real property to the extent that the price paid for those acquisitions or importations is included in determining the adjusted cost base of the capital real property for income tax purposes (or would be included if the owner of the property were a taxpayer under the *Income Tax Act*).

If you are a GST/HST registrant, you may be able to claim an ITC for the GST/HST you paid or owe for the acquisition or importation of an improvement to capital real property. The ITC you can claim is based on the extent you were using the real property in your commercial activities at the time you last acquired the real property.

However, if you are a GST/HST registrant who is an individual, you cannot claim an ITC for an improvement to capital real property if you last acquired the real property primarily for your personal use and enjoyment or that of a relative, either individually or in combination.

Change-in-use rules for capital real property

Corporations and partnerships

The following rules apply to corporations and partnerships that are registrants.

Note

The following change-in-use rules for corporations and partnerships also apply for certain capital real property of a public service body (PSB) if the PSB has filed an election to treat certain otherwise exempt supplies of that property, if made, as taxable.

If you are a corporation, a partnership, or a PSB that has made an election, as discussed previously, and you begin to use, or you increase your use of, capital real property in commercial activities, you may be able to claim an ITC. If you decrease your use of, or stop using, capital real property in commercial activities, you have to repay all or part of the ITC you previously claimed.

If you change your use of capital real property, any ITC you may be entitled to claim or the amount of any ITC you have to repay is calculated based on the basic tax content of the property at the time of your change in use. The basic tax content formula is explained on page 22.

Beginning use in commercial activities

If you are a corporation or a partnership and you own capital real property that you do not use in your commercial activities, you would not have been entitled to claim any ITCs when you last acquired the property. However, if you begin to use that property more than 10% in commercial activities, you are considered to have purchased the real property at that time and, unless the purchase is exempt, to have paid GST/HST on the purchase. The GST/HST that you are considered to have paid is equal to the basic tax content of the property at that time. As a result, you can claim an ITC equal to the basic tax content of the property multiplied by the percentage of use of the property in your commercial activities.

Note

For the ITC rules that apply on becoming a registrant, if you become a registrant on the same day that you begin to use the property in commercial activities, see Guide RC4022, *General Information for GST/HST Registrants*.

Example 1

A corporation that is a registrant buys an office building and the related land, located in Winnipeg, to use only in exempt activities (other than residential rentals). Therefore, it cannot claim an ITC for any of the tax it paid to purchase the property.

Cost of property	\$500,000
GST (\$500,000 × 5%)	\$25,000

The corporation later begins to use the property 60% in commercial activities. As a result, the corporation is considered to have purchased the property. In this particular case, the purchase is taxable. The corporation has not made any improvements to the property.

The fair market value of the property at the time the corporation begins using it in commercial activities is \$550,000. The corporation can claim an ITC, based on the basic tax content of the property, calculated as follows:

$$\begin{aligned}\text{Basic tax content} &= (A - B) \times C \\ &= (\$25,000 - \$0) \times \frac{\$550,000}{\$500,000} \\ &= \$25,000 \times 1 \text{ (maximum)*} \\ &= \$25,000 \\ \text{ITC} &= \$25,000 \times 60\% \\ &= \$15,000\end{aligned}$$

*We use 1 as the value for C in the above calculation because C is equal to **the lesser of 1** and the fair market value at the time of change in use divided by the cost of the property and improvements made since it was last acquired.

Increasing use in commercial activities

When you increase the percentage of use of capital real property in commercial activities by 10% or more, you are considered to have purchased the real property to that extent and, unless the purchase is exempt, to have paid GST/HST. The GST/HST that you are considered to have paid is equal to the basic tax content of the property multiplied by the percentage of the increase in commercial activities. As a result, you can claim an ITC equal to the GST/HST you are considered to have paid.

Example 2

Continuing with Example 1, the corporation later increases the use of the real property in its commercial activities from 60% to 80% (an increase of 20%). As a result, the corporation is considered to have purchased the property to that extent (20%). In this case, the purchase of that part of the property is taxable.

The fair market value of the property at the time of this change in use is \$600,000. As a result of the increased commercial use of the property (10% or more), the corporation can claim an additional ITC calculated as follows:

$$\begin{aligned}\text{Basic tax content} &= (A - B) \times C \\ &= (\$25,000 - \$0) \times \frac{\$600,000}{\$500,000} \\ &= \$25,000 \times 1 \text{ (maximum)} \\ &= \$25,000 \\ \text{ITC} &= \$25,000 \times 20\% \\ &= \$5,000\end{aligned}$$

Note

If you increase the use in your commercial activities to 90% or more, you are considered to be using the property 100% in your commercial activities.

Decreasing use in commercial activities

When you decrease (without stopping) the use of capital real property in your commercial activities by 10% or more, you are considered to have sold the property to that extent, and, unless the sale is exempt, to have collected GST/HST on the part of the property that you are no longer using in your commercial activities.

To calculate the amount of the GST/HST that you are considered to have collected, multiply the basic tax content of the property at the time you change the use by the percentage of the decrease in commercial activities.

Example 3

Continuing with Example 2, the corporation later decreases the use of the property in its commercial activities from 80% to 30% (a decrease of 50%). As a result, the corporation is considered to have sold the property to that extent (50%). In this case, the sale of that part of the property is taxable.

The fair market value of the property at the time of the change in use is \$550,000. The corporation has to account for the GST it is considered to have collected, which is calculated as follows:

$$\begin{aligned}\text{Basic tax content} &= (A - B) \times C \\ &= (\$25,000 - \$0) \times \frac{\$550,000}{\$500,000} \\ &= (\$25,000 - \$0) \times 1 \text{ (maximum)*} \\ &= \$25,000 \\ \text{GST collected} &= \$25,000 \times 50\% \\ &= \$12,500\end{aligned}$$

The corporation has to add \$12,500 GST on **line 103** of its GST/HST return when it calculates its net tax for the reporting period during which the change in use occurs to account for the GST it is considered to have collected.

*We use 1 as the value for C in the above calculation because C is equal to **the lesser of 1** and the fair market value at the time of the change in use divided by the cost of the property and improvements made since it was last acquired.

Stopping use in commercial activities

When you stop using capital real property for commercial activities (that is, when you reduce the use in commercial activities to 10% or less) and you begin to use the property 90% or more for non-commercial activities, you are considered to have sold the property and, unless the sale is exempt, to have collected the GST/HST on this sale.

The GST/HST that you are considered to have collected is equal to the basic tax content of the property. As a result, you have to include the amount of the basic tax content in your net tax calculation on your GST/HST return for the reporting period in which the change of use occurs.

Example 4

Continuing with Example 3, the property was used 30% in commercial activities and is no longer used in commercial activities. As a result, the corporation is considered to have sold the property. In this case, the sale of the property is taxable.

The fair market value of the property at the time of this change in use is \$650,000. The GST the corporation is considered to have collected is calculated as follows:

$$\begin{aligned}\text{Basic tax content} &= (A - B) \times C \\ &= (\$25,000 - \$0) \times \frac{\$650,000}{\$500,000} \\ &= \$25,000 \times 1 \text{ (maximum)} \\ &= \$25,000\end{aligned}$$

The corporation has to add \$25,000 GST on **line 103** of its GST/HST return for the reporting period during which it stopped using the property in its commercial activities to account for the tax it is considered to have collected.

However, since the corporation is considered to have made a taxable sale of the property, as a registrant, the corporation may be eligible to claim an ITC to recover the tax it paid on the property that it could not previously recover.

To calculate the amount of the ITC that may be available, multiply the percentage that the property was used in non-commercial activities immediately before the sale that the corporation is considered to have made by the **lesser** of the following two amounts:

- the basic tax content of the property at the time of that sale (\$25,000, as calculated above); and
- the tax payable (the tax you are considered to have collected) on that sale (\$25,000).

In this case, the corporation would be eligible to claim an ITC as follows:

$$\text{ITC} \quad 70\% \times \$25,000 = \$17,500$$

We use 70%, as it is the percentage of use in non-commercial activities immediately before the sale the corporation is considered to have made (as the corporation was using the property 30% in its commercial activities).

We use \$25,000 because, in this case, the basic tax content of the property and the tax payable on the sale the corporation is considered to have made both equal \$25,000.

Since the corporation is no longer using the property in its commercial activities, the corporation is now in the same position it would have been if it initially bought the property to use exclusively in non-commercial activities.

Note

For information on the ITC that you can claim if you are a registrant that made a taxable sale of real property and you had paid GST/HST on that property when you last acquired it that you were unable to recover, see GST/HST Memoranda 19.2.3, *Residential Real Property – Deemed Supplies*, or call us at **1-800-959-8287**.

Individuals

The following rules apply to individuals who are GST/HST registrants.

If you are an individual and you begin to use, or you increase your use of, capital real property in commercial activities, you may be considered to have purchased the property at that time and to have paid tax. As such, you may be entitled to claim an ITC. If you decrease or stop your use of capital real property in commercial activities, or if you begin to use it primarily for your or a relative's, personal use and enjoyment, either individually or in combination, you may have to repay all or part of any ITC previously claimed.

If you begin to use or increase your use of capital real property in commercial activities, any ITC you are entitled to claim is calculated based on the basic tax content of the property at the time of your change in use. The basic tax content formula is explained on page 22. If you reduce or cease your use of capital real property in commercial activities, any GST/HST you have to repay will be based on the fair market value or basic tax content of the property depending on whether there is an increase in personal use or use in exempt activities.

Beginning use in commercial activities

If you are an individual and you own capital real property that you use primarily (more than 50%) for your or a relative's personal use and enjoyment, either individually or in combination, or if you do not use the property in commercial activities (10% or less), you would not have been entitled to claim any ITCs when you last acquired the property. However, if you begin to use that property more than 10% in your commercial activities and you no longer use the property primarily for such personal use, you are considered to have purchased the property at that time and, unless the purchase is exempt, to have paid GST/HST on the purchase. If you are considered to have paid GST/HST you can claim an ITC equal to the **basic tax content** of the property at the time you begin using it in commercial activities multiplied by the percentage of use of the property in your commercial activities.

Note

For the ITC rules that apply on becoming a registrant, if you become a registrant on the same day that you begin to use the property in commercial activities, see Guide RC4022.

Example 1

You are an individual who is registered for the GST/HST. You paid a total of \$300,000 plus \$15,000 GST to purchase land, construction materials, and services to construct a building in Victoria. The property is capital property used exclusively in your day care business to provide exempt day care services.

You were not entitled to claim any rebates or ITCs for the tax paid on the land or on any of your construction costs.

You later begin to use the property 60% in your construction business as an office/showroom, a commercial activity. As a result of the change in use, you are considered to have purchased the property at that time and, as the purchase is taxable in this case, you are also considered to have paid GST.

The fair market value of the property at the time you begin using it in your commercial activities is \$400,000. You are entitled to claim an ITC, calculated as follows:

$$\begin{aligned}\text{Basic tax content} &= (A - B) \times C \\ &= (\$15,000 - \$0) \times \frac{\$400,000}{\$300,000*} \\ &= \$15,000 \times 1 \text{ (maximum)} \\ &= \$15,000 \\ \text{ITC} &= \$15,000 \times 60\% \\ &= \$9,000\end{aligned}$$

*We use \$300,000 as the denominator as this was your total cost (before GST) to acquire the land and to make improvements to it (that is, to construct the building).

Therefore, when you begin using the property 60% in commercial activities, you can claim an ITC of \$9,000.

Increasing use in commercial activities

When you increase the percentage of use of capital real property in commercial activities by 10% or more, and you are not using the property primarily for your or a relative's personal use and enjoyment, either individually or in combination, you are considered to have purchased the property to that extent and, unless the purchase is exempt, to have paid GST/HST on that purchase. The GST/HST that you are considered to have paid is equal to the **basic tax content** of the property multiplied by the percentage of the increase in commercial activities. As a result, you can claim an ITC equal to the GST/HST you are considered to have paid.

Note

If you increase your use in commercial activities to 90% or more, you are considered to be using the property 100% in your commercial activities.

Example 2

You are an individual who is a registrant, and you purchase a building in Regina. You use 40% of the property in your day care business to provide exempt day care services and 60% of the property is for use in your taxable construction activities. The building is capital property used primarily in a commercial activity. You claimed an ITC for a portion of the tax you paid at the time you purchased the property.

Cost of property	\$500,000
GST (\$500,000 × 5%).....	\$25,000
ITC claimed (\$25,000 × 60%).....	\$15,000

You later increase the use of the property in commercial activities from 60% to 80% (an increase of 20%). As a result, you are considered to have purchased the property to that extent and, as the purchase of that part of the property is taxable in this case, you are considered to have paid GST.

The fair market value of the property at the time of this change in use is \$600,000. As you are increasing your use of the property in commercial activities, you can claim an additional ITC, calculated as follows:

$$\begin{aligned}\text{Basic tax content} &= (A - B) \times C \\ &= (\$25,000 - \$0) \times \frac{\$600,000}{\$500,000} \\ &= \$25,000 \times 1 \text{ (maximum)} \\ &= \$25,000 \\ \text{ITC} &= \$25,000 \times 20\% \\ &= \$5,000\end{aligned}$$

Decreasing use in commercial activities

When you decrease the use of capital real property in commercial activities by 10% or more (without stopping its use in those activities and without beginning to use it primarily (more than 50%) for your or your relative's personal use and enjoyment, either individually or in combination), you are considered to have sold the property to the extent that you reduced the use in commercial activities. Unless the sale is exempt, you are considered to have collected GST/HST on the part of the property that you are no longer using in your commercial activities.

Changing the use of the property to personal use

If you are reducing your use of the capital real property in commercial activities and you begin using or increase the use of, the property for your or your relative's personal use and enjoyment, you may be considered to have sold the property, or a part of the property, at the time you begin using the property, or part of the property for such personal use. In this case, you are considered to have collected the GST/HST calculated on the fair market value of the property, or part of the property.

Note

If you begin using the property **primarily** for your or your relative's personal use and enjoyment, either individually or in combination, or if you decrease the property's use in commercial activities to 10% or less, you are considered to have stopped using the property in your commercial activities. For more information, see "Stopping use in commercial activities" later on this page.

When you decrease the use in commercial activities as discussed on the previous page, you have to use the following formula to calculate the amount of the GST/HST that you are considered to have collected as a result of the decrease in use in commercial activities:

$$(A \times B) - C$$

A is the basic tax content of the property at the time of the change in use.

B is the percentage that you reduced the use of the property in commercial activities.

C is the amount of any GST/HST that you are considered to have collected on the fair market value of the property, or a part of the property, because you appropriated the property, or part of the property, that was used as capital property in your business or commercial activities for your or your relative's personal use and enjoyment, including residential use.

Example 3

Continuing with the Example 2, you later decrease your use of the property to 50% for commercial activities (a decrease of 30%, as you had been using the building 80% in commercial activities). You are now using the building 50% to provide the exempt day care services.

As a result of the change in use, you are considered to have made a taxable sale of the part of the building that you were using in commercial activities and are now using in exempt activities.

The fair market value of the building at the time you reduce its use in commercial activities is \$650,000. The GST you are considered to have collected on that sale is calculated as follows:

$$\begin{aligned}\text{Basic tax content} &= (\$25,000 - \$0) \times \frac{\$650,000}{\$500,000} \\ &= \$25,000 \times 1 \text{ (maximum)} \\ &= \$25,000\end{aligned}$$

$$\begin{aligned}\text{GST collected} &= (A \times B) - C \\ &= (\$25,000 \times 30\%) - \$0^* \\ &= \$7,500\end{aligned}$$

*Element C is equal to 0 in this case because you did not appropriate the property, or a part of the property, for your or a relative's personal use, either individually or in combination.

You have to add \$7,500 GST on **line 103** of your GST/HST return when you calculate your net tax for the reporting period during which the decrease in use in commercial activities occurs to account for the GST you are considered to have collected.

Stopping use in commercial activities

When you begin to use capital real property 90% or more for non-commercial activities or you begin to use the property primarily (more than 50%) for your or a relative's personal use and enjoyment, either individually or in combination, you are considered to have stopped using the property in commercial activities. In this case, you are considered to have sold the property. If the sale you are considered to have made is taxable, you are considered to have collected the GST/HST on that sale.

You have to use the following formula to calculate the amount of the GST/HST you are considered to have collected:

$$A - B$$

A is the basic tax content of the property at the time of the change in use.

B is the amount of the GST/HST, if any, that you are considered to have collected on the fair market value of the property, or part of the property, because you had used the property, or part, as capital property in a business or commercial activity and began using it for your or your relative's personal use and enjoyment.

If you are stopping the use of the capital real property in commercial activities and you also begin using, or increase the use of, the property for your or your relative's personal use and enjoyment, you may also be considered to have sold the property, or a part of the property, at the time you begin using the property, or part of the property, for such personal use. In this case, you are considered to have collected GST/HST calculated on the fair market value of the property, or part of the property.

Example 4

Continuing with the Example 3, you later stop using the building in both commercial and exempt activities and you begin to use it only as a place of storage for your personal items.

The fair market value of the property when you stop using it in commercial activities is \$700,000.

The GST you are considered to have collected because you began using the property exclusively for your personal use is equal to the GST calculated on the fair market value of the property at the time you begin using it for personal use.

$$\text{GST collected} \quad \$700,000 \times 5\% = \$35,000$$

The GST you are also considered to have collected because you stopped using the property in commercial activities, is calculated as follows:

$$\begin{aligned}\text{Basic tax content} &= (\$25,000 - \$0) \times \frac{\$700,000}{\$500,000} \\ &= \$25,000 \times 1 \text{ (maximum)} \\ &= \$25,000\end{aligned}$$

$$\begin{aligned}\text{GST collected} &= A - B \\ &= \$25,000 - \$35,000 \\ &= \$0^*\end{aligned}$$

*As the result of this calculation is negative, the amount you are considered to have collected for stopping the use in commercial activities is equal to 0.

Note

In this case, the amount you are considered to have collected for your stopping use of the property in commercial activities is \$0 because the amount you are considered to have collected for the change to exclusive personal use is more than the basic tax content of the building. However, depending on your situation, this may not always be the case.

Therefore, you are considered to have collected a total of \$35,000 GST (for the sale you are considered to have made for the change to exclusive personal use).

You have to report the \$35,000 GST that you are considered to have collected for your change in use to personal use on **line 103** of your regular GST/HST return.

Public service bodies (PSBs)

If you are a PSB, the change-in-use rules that apply to you for capital real property are generally the same as those that apply to you for capital personal property. For a list of the guides that provide more information, see page 24.

However, if you have filed an election to treat your supplies of certain real property as taxable, the change-in-use rules for capital personal property **do not** apply and the change-in-use rules for capital real property that apply to corporations and partnerships will apply, **but only for the property for which you filed the election**. For more information, see “Corporations and partnerships” on page 24.

Financial institutions

The change-in-use rules for capital real property that apply to financial institutions are similar to those for corporations and partnership. For more information, see page 24.

Claiming ITCs when you make a taxable sale of real property

If you are a GST/HST registrant and you make a taxable sale of real property, you are generally entitled to claim an ITC for the GST/HST that you paid for your last acquisition of the property (for example, when you purchased it or were last considered to have made a self-supply of it), but were not previously entitled to recover. For more information, see GST/HST Memoranda 19.2.3, *Residential Real Property – Deemed Supplies*, or call us at **1-800-959-8287**.

Example

You are an individual who is a GST/HST registrant and you construct a building in Alberta. You paid a total of \$500,000 plus \$25,000 GST to purchase land, goods and services to construct the building. You use 40% of the building to provide exempt day care services and 60% to provide taxable construction services. The building is capital property used primarily in a commercial activity.

You claimed ITCs of \$15,000 (60% X \$25,000) for the tax paid on the land and on your construction costs. Since you are using 40% of the building in exempt activities, you were unable to recover the GST you paid on the land and construction costs that relate to those activities.

You then make a taxable sale of the building for \$700,000.

Since you made a taxable sale of the building, you may be eligible to claim an ITC to recover the tax that you paid on your purchase of the property that you could not previously recover.

To calculate the amount of the ITC that may be available, multiply the percentage that the property was used in **non-commercial** activities immediately before the sale by the **lesser** of the following two amounts:

- the basic tax content of the property at the time of that sale; and
- the tax payable on that sale.

In this case, you would be eligible to claim an ITC as follows:

$$\text{ITC} \quad 40\% * \times \$25,000^{**} = \$10,000$$

* We use 40%, as it is the percentage of use in non-commercial activities immediately before the sale (as you were using it 60% in commercial activities and were already entitled to claim ITCs for the property for that use).

**We use \$25,000, which is the basic tax content of the property since this is less than the tax payable on the sale, which was \$35,000 (\$700,000 × 5%).

When you finish construction

The following sections only apply to you if you are a builder for GST/HST purposes. They discuss how the GST/HST generally applies in each of the following situations:

- if you sell the new house;
- if you sell the house after renovating it (not a substantial renovation);
- if you lease the new house;
- if you sell the building part of a new house and lease the related land; and
- if you are an individual and you live in the new house.

For information on whether you are a builder, see “Are you a builder for GST/HST purposes?” on page 8.

For what qualifies as a substantial renovation, major addition, and conversion, see page 33.

If you sell the new house

If you are a builder of a new or substantially renovated house and you sell that house, the sale will generally be taxable. For more information on exempt sales, see “Exempt sales of housing” on page 33.

Special rules apply for charging and collecting the GST/HST when you make a taxable sale of a house. For information, see the following sections:

- “Special rule: sale of new housing?” on page 10.
- “Who remits the tax for a taxable sale of real property – vendor or purchaser?” on page 11.
- “Sale of real property” on page 15.

Special rule: residential condominium units

You are considered to have made a taxable sale of a residential condominium unit and to have collected the GST/HST calculated on the fair market value of the unit (that is, you are considered to have made a self-supply of the unit) if:

- you enter into a purchase and sale agreement for the unit and that agreement for the unit terminates (for a reason other than the transaction being completed) after the purchaser has occupied it as a place of residence and before the condominium complex is registered as a condominium; and
- you did not enter into another purchase and sale agreement for that unit with the same purchaser.

You have to include the GST/HST you are considered to have collected on **line 103** your GST/HST return for the reporting period that includes the day the agreement was terminated.

If you sell the house after renovating it (not a substantial renovation)

If, in the course of a business of making supplies of real property, you sell a house that you renovated or altered, but those renovations or alterations were not significant enough to be a substantial renovation, you are considered to have made a taxable self-supply.

In this case, you are considered to have collected, and you have to account for, the GST/HST on costs that:

- are in respect of the renovation or alteration (other than purchases of financial services and goods and services for which you were required to pay GST/HST); and
- would be included in your adjusted cost base for income tax purposes if the house was your capital property.

Generally, a cost has to be added to the adjusted cost base of a house if it enhances the building beyond a simple repair or maintenance. For more information, call us at **1-800-959-5525**.

As a result, you are considered to have collected the GST/HST on costs such as wages and salaries and employee benefits payable to your employees who are involved in on-site renovation work, as well as on contracts entered into with non-registrants.

This rule generally ensures that renovators who use their own labour or the services of non-registrants will pay equivalent amounts of GST/HST when compared to those who use independent contractors. In other words, the GST/HST you are considered to have collected should be approximately equal to the GST/HST that you would have been charged by an independent contractor who is a GST/HST registrant had you acquired the property or services from them instead of providing the property or services yourself.

Note

You do not have to account for the GST/HST on ordinary repair and maintenance costs that would not be included in the adjusted cost base for income tax purposes.

If you are considered to have collected the GST/HST on costs incurred to renovate or alter a house, you have to include that GST/HST you are considered to have collected on **line 103** of your GST/HST return for the reporting period that includes the **earlier** of:

- the day the renovation is substantially completed; and
- the day you transfer ownership of the house to the purchaser.

Your sale of the house will generally be exempt. As your sale of the house is exempt, you are not entitled to claim ITCs for the tax you are considered to have collected on the renovations costs.

Note

You are also considered to have collected the GST/HST if the renovation is not a substantial renovation and you lease the house (as opposed to selling it).

If you lease the new house

If you lease the new house to someone who will live in it continuously for one month or more, the lease payments are exempt.

The lease payments you charge will also be exempt if the person you are leasing the new house to sub-leases it to an individual who will live in it continuously for one month or more.

Note

If you also lease a parking space to be made available throughout a period of one month or more, the lease of that space will usually be exempt if you lease it to a person who is also leasing a house from you and the parking space is part of the house, or the use of the parking space is related to the use and enjoyment of the house as a place of residence for individuals.

Self-supply when you lease the new house

If you are a builder, you are generally considered to have made a taxable self-supply if you build or substantially renovate housing (whether it has single or multiple units) and you give possession or use of the housing, or a unit in it, under a lease for its use as a place of residence by an individual. You are also considered to have made a taxable self-supply if you are a builder who leases new or substantially renovated housing to a person who in turn will lease it to an individual as a place of residence. For information on the meaning of self-supply, see “What is a self-supply?” on page 7.

Note

Special self-supply rules apply if you lease housing partly for long-term residential use and also partly for commercial use. For more information, see “Self-supply for mixed-use real property” on the next page.

If you are considered to have made a self-supply of a house that you later sell, the sale will usually be exempt from the GST/HST if your only use of the house was in exempt activities (for example, long-term residential leases). If you are an individual that is a builder of a house and you or your relative occupies the house as a place of residence and you later sell the house, the sale will usually be exempt if it was used primarily (more than 50%) as your or your relative’s place of residence, either individually or in combination. For more information, see “Exempt sales of housing” on page 33.

If you are considered to have made a taxable self-supply and you do not use the house in commercial activities after that taxable supply, you are not entitled to claim ITCs for the tax you are considered to have paid for the self-supply. However if, at any time, you begin to use all or part of the house in commercial activities, you may be entitled to claim an ITC. For more information, see “Change-in-use rules for capital real property” on page 24.

Note

Self-supply rules **do not apply** to certain communal organizations when they build or substantially renovate residences for their members. Nor do the self-supply rules apply to universities, school authorities, or public colleges when they build or substantially renovate student residences that are for use primarily as residences of their students.

In the case of remote work sites, the application of the self-supply rules may be deferred. For more information, see “Remote work sites” on page 39.

Single unit house (including a residential condominium unit)

You are considered to have made a taxable self-supply of a single unit house and are considered to have collected GST/HST calculated on the fair market value of the house (which includes the land) if:

- you are a builder;
- you build or substantially renovate the house;
- you give possession or use of the house under a lease agreement for the use of the house as a place of residence by an individual; and

- that individual is the first to occupy the house after the construction or substantial renovation is substantially completed.

Note

You may not be considered to have made a self-supply if you are an individual who is a builder and you built or substantially renovated a house that you or your relative use more than 50%, either individually or in combination, as a place of residence. For more information, see “If you are an individual and you live in the new house” on the next page.

Multiple unit housing or an addition to such housing (other than a residential condominium)

You are considered to have made a taxable self-supply of the entire multiple unit housing (for example, a duplex or an apartment building), or an addition to such housing, and are considered to have collected the GST/HST calculated on the fair market value of the multiple unit housing, or the addition, (including the related land) if:

- you are a builder;
- you build or substantially renovate the multiple unit housing or you build the addition;
- you give possession or use of a unit in the housing or addition under a lease for the use of the unit as a place of residence by an individual; and
- that individual is the first to occupy a unit in the housing or addition after the construction or substantial renovation is substantially completed.

Note

You are considered to have paid and collected the GST/HST calculated on the fair market value of the entire multiple unit housing, or addition, even if you have only given possession or use of one unit in the housing or addition. However, you may be entitled to claim a GST/HST new residential rental property rebate for some of the tax you are considered to have paid. For more information, see “GST/HST new residential rental property rebate” on page 35.

Self-supply of subsidized housing

If you are considered to have made a taxable self-supply of subsidized housing, special rules may apply for determining the amount of tax you have to remit. For more information, see “Subsidized housing” on page 38.

Timing of self-supply

You are considered to have made a self-supply on the later of:

- the day you first give possession or use of the house (or of a unit, in the case of multiple unit housing or an addition to such housing); or
- the day that the construction or substantial renovation of the house or multiple unit housing or addition is substantially completed.

How do you account for the tax on a self-supply?

If you are a GST/HST registrant, include the GST/HST you are considered to have collected on **line 103** of your regular GST/HST return for the reporting period during in which you are considered to have made the self-supply. For more information, see “Timing of self-supply” on the previous page. Remit any positive amount of net tax due by the due date of that return.

If you are not a GST/HST registrant, include the GST/HST you are considered to have collected on **line 103** on Form GST62, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return (Non-Personalized)*. Remit the tax due along with that return by the end of the month following the month during which you are considered to have made the self-supply (see timing of self-supply above). As a non-registrant, you may be entitled to claim a rebate to recover the tax you paid on the construction costs that you could not previously recover. For more information, see “Rebate for taxable sale of real property by a non-registrant” on page 36.

Note

Form GST62 is only available in pre-printed format and is not available for download on our Web site; however, you can order it using the online order form on our Web site at www.cra.gc.ca/orderforms, or by calling us at 1-800-959-2221.

Self-supply for mixed-use real property

If you are considered to have made a self-supply because you built or substantially renovated a building, and you leased part of the building for long-term residential use (an exempt activity), and the other part of the building was leased for commercial use (a taxable activity), you are only considered to have made a self-supply of the **residential part** of the property. As a result, you are considered to have paid and collected GST/HST calculated on the fair market value of the residential part of the property.

You cannot claim an ITC for the GST/HST you are considered to have paid on the self-supply of the residential part of the property if you are using 90% or more of this part of the property to provide long-term residential rentals.

Sale of mixed-use real property

If you later sell the real property that you had leased partly for long-term residential use (an exempt activity) and also partly for commercial use (a taxable activity), you are considered to have made two separate sales of real property – one sale of the residential part and another sale of the commercial part.

In this case, the GST/HST will generally apply to the commercial part of the building but the residential part of the building may be exempt. This ensures that housing that would be exempt if sold on its own will still be exempt if sold with other taxable real property.

Example

A corporation sells a 10-story building. The building has apartments on nine floors, which the corporation leased to individuals for long-term residential use, and several businesses on the main floor.

For GST/HST purposes, the corporation is considered to have made two separate sales – one sale of the commercial part of the building and a separate sale of the residential part.

The GST/HST applies to the sale of the commercial part of the building. The sale of the residential part of the building is exempt. However, if the building was new and no one had lived in it, the sale of the entire building – both the residential and commercial parts – would be taxable.

If you sell the building part of a new house and lease the related land

If you sell only the building part of the new house and you lease the related land to the purchaser under the same agreement (other than a site in a residential trailer park), you are considered to have made a self-supply of the building and the land and are considered to have paid and collected GST/HST calculated on the fair market value of both the house and the land.

You are considered to have made the self-supply on the **later** of:

- the day you first give possession or use of the house, or of a unit in multiple unit housing, or in an addition to such housing, under the agreement; and
- the day that the construction or substantial renovation of the house, or multiple unit housing or addition, is substantially completed.

For information on how to account for the GST/HST you are considered to have collected, see “How do you account for the tax on a self-supply?” on this page.

If you are an individual and you live in the new house

If you are a builder who is an individual and you build or substantially renovate a house or multiple unit housing or construct an addition to multiple unit housing you may be considered to have made a taxable self-supply and to have paid and collected GST/HST calculated on the fair market value of the house, the entire multiple unit housing or the addition that you built or substantially renovated if you are the first to live in the house or a unit in the multiple unit housing, or addition. For information on what qualifies as a substantial renovation, see “Substantial renovation, major addition, and conversion” on the next page.

However, you are not considered to have made a self-supply if:

- you did not claim any ITCs for the construction, or substantial renovation of the house or multiple unit housing, or the construction of the addition;
- after the construction or substantial renovation is substantially complete, you or your relative use the house, the multiple unit housing, or the addition primarily (more than 50%) as a place of residence, either individually or in combination; and

- you did not use the house, multiple unit housing, or addition primarily for any other purpose between the time the construction or substantial renovation was substantially completed and the time at which you began to use it primarily as a place of residence.

Note

This exception does not apply where the builder is a corporation or a partnership and an individual who is a shareholder of that corporation or a partner of that partnership begins living in the house. In this case, the corporation or partnership is considered to have made a taxable self-supply and is considered to have paid and collected GST/HST calculated on the fair market value of the housing. To find out how the self-supply rules apply in this case, see “If you lease the new house” on page 30.

If you are considered to have made a taxable self-supply, you are considered to have paid and collected the GST/HST on the **later** of:

- the day construction or substantial renovation is substantially complete; and
- the day you or your relative begin to use the house as a place of residence.

If you are considered to have made a taxable self-supply on housing that you later sell, the sale will usually be exempt from the GST/HST if the last use of the house was primarily (more than 50%) as your or your relative’s place of residence, either individually or in combination.

For information on how to account for the GST/HST you are considered to have collected, see “How do you account for the tax on a self-supply?” on the previous page.

Exempt sales of housing

The following is a list of some sales of housing that are exempt:

- A sale of a house by a person who **is not** a builder of the house if:
 - they did not claim ITCs for the GST/HST that was payable when they last purchased or were considered to have purchased the house, or that was payable on any subsequent improvements they made to the house; and
 - they did not file an election to treat the exempt sale as taxable.
- A sale of a house by a builder of the house if the builder was considered to have made a self-supply of the house and had to account for the GST/HST on that supply (for example, when they first leased the house for long-term residential use) as long as the builder did not claim any ITCs for that tax or for any tax payable on any subsequent improvements to the house.
- A sale of a house by an individual who is a builder of the house if they did not claim any ITCs for any tax payable on the last acquisition of the property (for example, the land) and on any improvements to the property (for example, construction costs), and they or their relative, either individually or in combination, used the house primarily (more than 50%) as their own place of residence.

- A sale of a house, excluding the land, where the vendor leases the related land to the purchaser of the house and both the sale of the house and lease of land are under the same written agreement. For more information, see “If you sell the building part of a new house and lease the related land” on the previous page.

For more information on when a sale of housing is exempt, see GST/HST Memoranda 19.2.1, *Residential Real Property-Sales*.

Substantial renovation, major addition, and conversion

The following information will help you determine if the construction work you did to a house is extensive enough to consider the house as substantially renovated for GST/HST purposes.

Substantial renovation

If a house has been substantially renovated, it is generally treated as a newly built house.

However, major changes have to be made to a house to meet the definition of a substantial renovation. In a major renovation project, the interior of a building is essentially gutted. This type of renovation project qualifies as a substantial renovation. Generally, 90% or more of the interior of an existing house is the minimum that has to be removed or replaced to qualify as a substantial renovation (referred to as the 90% test). You do not have to remove or replace the foundation, external and interior supporting walls, roof, floors, and staircases to meet the 90% test. If you do remove or replace any of these during a substantial renovation, they will form part of the 90% test.

Any fair and reasonable method, such as comparing the square footage of the renovated areas to the total floor space of the house, is an acceptable measure of the 90% test. You can also compare the square footage of floor and wall space of the areas renovated to the total floor and wall space of the house.

Only liveable areas count toward a substantial renovation. This would include the main floor living areas and finished basements and attics. Liveable areas do not include garages or crawl spaces, which are not considered when meeting the 90% test. Work done to partially complete a basement but not make it a liveable basement does not count toward the 90% test. However, if all or part of an unfinished basement was renovated into a liveable area, this area would be taken into account in applying the 90% test.

Renovating the basement by itself or adding a garage or a deck to an existing house would **not** meet the definition of a substantial renovation.

An addition to a house is not considered to be a substantial renovation, as it is the existing house that must be renovated. For example, if a 2000 square foot bungalow is being renovated and a 300 square foot addition is added, the 90% test does not consider the addition. However, if the renovation of the 2000 square foot bungalow is found to be a substantial renovation, the construction of the addition is considered to be part of the substantial renovation.

Note

If you are a person who acquires a house and undertakes a substantial renovation of that house to lease or sell that house, you are a builder of that house for GST/HST purposes. For more information, see “Are you a builder for GST/HST purposes?” on page 8. As a builder, if you sell a substantially renovated house, you are required to collect the GST/HST on the sale, and the purchaser may be entitled to claim a GST/HST new housing rebate. For more information, see “GST/HST rebates for new housing” later on this page.

Major addition

Although an addition to a house is not considered to be a substantial renovation on its own, a major addition that is built together with the renovation of the existing house may be equivalent to a new construction. In this case, the work must be so great that the result is viewed as a newly built house.

To be a major addition, the addition should at least double the size of the liveable areas of an existing house, which is absorbed into the new one. An example would be adding a full second story to an existing bungalow. Along with doubling the size, the changes to the existing house and use of its rooms after construction should be so great that the existing house ceases to exist.

The construction of a porch, sunroom, family room, or bedroom by itself is not considered to result in a newly built house.

Conversion

When you convert a property from non-residential into a house, it is considered a substantial renovation, regardless of how much work, if any, is actually done. If a house has been substantially renovated, it is generally treated as a newly built house.

For more information on substantial renovation, major addition and conversion, see Technical Information Bulletin B-092, *Substantial Renovations and the GST/HST New Housing Rebate*.

GST/HST rebates for new housing

GST/HST new housing rebate

An **individual** may be entitled to claim a rebate of up to 36% of the GST or federal part of the HST they paid on their purchase of a new house or on their costs to build or substantially renovate their own house.

Note

No new housing rebate is available for a house if the purchase price of the new house, or, in certain cases, the fair market value of the house, is \$450,000 or more.

To qualify, the individual or their relative has to use the house as their **primary place of residence** (see below), and must be the first individual to live in the new or substantially renovated house.

An individual who purchases their house from a builder has to apply for the rebate using Form GST190, *GST/HST New Housing Rebate Application for Houses Purchased From a Builder*. An individual who builds their own house has to use Forms GST191, *GST/HST New Housing Rebate Application for Owner-Built Houses* and GST191-WS, *Construction Summary Worksheet*.

For more information on eligibility conditions and how an individual can apply for a new housing rebate, see Guide RC4028, *GST/HST New Housing Rebate*.

Also, if the house is located in Nova Scotia, the individual may be entitled to claim a Nova Scotia rebate. For more information, see “Nova Scotia rebate” on the next page.

Primary place of residence

An individual's primary place of residence is generally the residence that the individual lives in on a permanent basis. An individual may hold more than one residence but is considered to have only one primary place of residence.

For rebate purposes, if a person has more than one place of residence, the following are some of the factors we may consider to determine if the residence is the primary place of residence:

- whether the individual intends to use the house as his or her primary residence;
- the length of time the individual lives in the house; and
- the designation or description of the address on personal and public records.

For more information on determining whether a house is an individual's primary place of residence, see GST/HST Memoranda 19.3, *Real Property Rebates*, and Policy Statement P-228, *Primary Place of Residence*.

If you choose to pay or credit the amount of the GST/HST new housing rebate to the purchaser

If you are a builder, and you make a taxable sale of a house to an individual purchaser who is entitled to a GST/HST new housing rebate, you can choose to pay or credit the amount of that rebate to the purchaser. In this case, both you and the purchaser have to **fully complete** all of the applicable sections of Form GST190. Make sure that you sign Section D and that the purchaser signs Section E.

Enter the amount of the rebate you paid or credited to the purchaser on **line 107** (adjustments) of your GST/HST return for the reporting period in which you paid or credited the amount of the rebate (your net tax will be reduced by the amount you paid or credited). You have to send the completed Form GST190 with that GST/HST return by the due date of the return.

Note

We do not pay you interest on the amount you pay or credit to the purchaser.

Joint liability

If we determine that the purchaser is not entitled to the rebate, or that the amount paid or credited to them was more than they were entitled to, and you knew, or should reasonably have known this, you and the purchaser are jointly and severally liable to pay the amount, or the excess, to the Receiver General.

Nova Scotia rebate

An **individual** who purchases a new house located in Nova Scotia may also be eligible for the Nova Scotia rebate, which is available for the **provincial** part of the HST paid on the purchase of a new house to a maximum of \$1,500.

Note

This rebate is not available to an individual who substantially renovates their own house or who converts a non-residential property into a house.

The Nova Scotia rebate generally applies to individuals who have not owned and occupied a house in Canada within the last five years. However, if the individual did own and occupy a house in Canada within the last five years and the house was involuntarily destroyed (for example, by fire) the individual may be entitled to claim the rebate.

An individual applies for the Nova Scotia rebate using the same form on which they apply for a GST/HST new housing rebate, Form GST190. If an individual is entitled to claim the Nova Scotia rebate, as a builder who makes a taxable sale of the house to that individual, you can choose to pay or credit the amount of the Nova Scotia rebate to them, along with the amount of any GST/HST new housing rebate they are entitled to. For more information, see Guide RC4028.

GST/HST new residential rental property rebate

As a landlord who leases new housing for long-term residential use by individuals, you may be entitled to claim a GST/HST new residential rental property rebate if you:

- purchased or built new housing, substantially renovated existing housing, made an addition to an apartment building, or converted a commercial property into a residential rental property;
- leased the new housing for long-term residential use by individuals as their primary place of residence and it is reasonable to expect that the housing will be their primary place of residence for at least one year;
- paid the GST/HST on your purchase of the new housing or, if you are considered to have made a taxable self-supply of the housing, you included the GST/HST calculated on the fair market value of that housing that you are considered to have collected in your net tax calculation and remitted any resulting positive amount of net tax; and
- are not entitled to claim ITCs for the tax paid on the purchase or as a result of the self-supply.

For more information on the eligibility criteria, see Guide RC4231, *GST/HST New Residential Rental Property Rebate*.

GST/HST transitional rebate

Effective July 1, 2006, the GST rate was reduced from 7% to 6% and the HST rate from 15% to 14%. Effective January 1, 2008, these rates were further reduced to the current rates of 5% and 13%.

Along with the changes to the tax rates, special rules for determining which rate of tax applies to the sale of new housing also came into effect. Under these rules, certain taxable sales of new housing will still be subject to the GST/HST at one of the previous tax rates (6%, 7%, 14%, or 15%).

In such a case, a GST/HST transitional rebate may be available to the purchaser to give the benefit of the reduction in the tax rate(s). For more information, see Form GST193, *GST/HST Transitional Rebate Application for Purchasers of New Housing*, which is available on our Web site at www.cra.gc.ca/gsthstpub.

Note

You cannot pay or credit the GST/HST transitional rebate to the purchaser. The purchaser has to apply to us directly using Form GST193.

Also, in certain limited situations, a GST/HST transitional rebate may be available to a builder of a new house if the builder sold the new house and leased the related land to the purchaser under the same agreement, and the transaction straddled the effective date(s) of the reduction(s) in the tax rates. For more information, see Form GST192, *GST/HST Transitional Rebate Application for Builders of New Housing on Leased Land*, which is also available on our Web site at www.cra.gc.ca/gsthstpub.

For more information on which rate of the GST/HST applies to the sale of new housing, see “Special rule: sale of new housing” on page 10.

Rebate for a taxable sale of real property by a non-registrant

If you are a non-registrant and you make a taxable sale of real property, you may be entitled to claim a rebate for the GST/HST that you paid when you last acquired the property (for example, when you purchased it or were last considered to have made a taxable self-supply of it) and on improvements you made to it since you last acquired it if you were previously unable to recover that tax. For more information, see Guide RC4033, *General Application for GST/HST Rebates*, or call us at 1-800-959-8287.

Sales of real property by individuals and personal trusts

Generally, a sale of real property by an individual is exempt if the individual’s only use of the property was personal use (for example, the sale of a house the individual used only as their own place of residence, or the sale a non-commercial hobby farm).

Note

For purposes of this section, an “individual” includes a personal trust.

However, the following are some examples of sales of real property that are taxable when made by an individual:

- a sale of land that the individual had subdivided or severed from another parcel of land. However, the land will remain exempt as long as none of the other exclusions listed below apply and:
 - the original parcel was only subdivided or severed into **two** parts and the individual had not subdivided or severed that parcel from another parcel of land (a severance or subdivision due to an expropriation does not count in this case); or
 - the purchaser is a related individual or former spouse or common law partner who is purchasing the land for their own personal use and enjoyment;
- a sale of an unoccupied new or substantially renovated house by an individual who is a builder of the house;
- a sale of real property that is capital property of the individual used primarily (more than 50%) in a business they carried on with a reasonable expectation of profit;
- a sale by a GST/HST registrant of real property that is capital property of the individual used primarily (more than 50%) in a business of renting the property on a taxable basis even if the rental business does not have a reasonable expectation of profit;
- a sale of real property made in the course of the individual’s business (for example, the property was inventory of the business); or

- a sale of real property made in the course of an adventure or concern in the nature of trade where the individual has filed an election to treat an exempt sale of that real property as taxable. An individual may want to file this election to be able to claim an ITC or a rebate for the property. For more information, see Form GST22, *Real Property – Election to Make Certain Sales Taxable*.

For more information on sales of real property by individuals and personal trusts, see GST/HST Memoranda 19.5, *Land and Associated Real Property*.

Doing business with a public service body (PSB)

A PSB is a non-profit organization, a charity, a municipality, a school authority, a hospital authority, a public college, or a university.

Supplying property or services to a PSB

If you make a taxable supply to a PSB, you have to charge the GST/HST, and you can claim ITCs in the usual way. If the PSB is not entitled to claim an ITC, they are generally entitled to claim a GST/HST rebate to recover part of the GST/HST they paid. For more information on the rebate that PSBs can claim, see Guide RC4034, *GST/HST Public Service Bodies’ Rebate*.

Acquiring real property from a PSB (other than a municipality)

Most sales and long-term leases of real property made by a public service body (PSB), **other than** a municipality, are exempt from the GST/HST. This means that if you purchase such property from a PSB or enter into a long-term lease for such property with a PSB, you may not have to pay the GST/HST. For more information on municipalities, see “Acquiring property and services from a municipality” on the next page.

However, in some instances, a PSB can elect, on a property by property basis, to treat certain exempt sales and leases of real property as taxable. A PSB may do this to be able to claim ITCs for the GST/HST it paid when it purchased, or was considered to have purchased, the property and for tax paid on expenses relating to the property.

If you purchase or lease real property from a PSB and the PSB has filed an election for that real property, you will generally have to pay the GST/HST. However, certain supplies of real property will remain exempt even when this election is in effect, such as a lease of housing for long-term residential use by an individual and most sales of previously occupied residential housing.

Note

Charities have their own rules for determining whether a supply of real property is taxable or exempt. For more information, see Guide RC4082, *GST/HST Information for Charities*.

For more information on how the GST/HST applies to supplies made by non-profit organizations and charities, see the following guides:

- RC4081, *GST/HST Information for Non-Profit Organizations*; and
- RC4082, *GST/HST Information for Charities*.

Acquiring property and services from a municipality

You will have to pay the GST/HST on most sales, leases, and other supplies of real property made by a municipality. However, the following are examples of supplies that are exempt when made by a municipality:

- certain licenses and permits;
- installing, repairing, maintaining, or interrupting water distribution, and sewerage and drainage systems;
- municipal services, such as street lighting, that a municipality provides on a non-optional basis to owners or occupants of real property in the municipality;
- garbage collection, including the collection and delivery of recyclable materials;
- installing, replacing, repairing, and removing street or road signs, barriers, street or traffic lights, or property similar to any of the foregoing;
- removing snow, ice, or water;
- removing, cutting, pruning, treating, or planting vegetation;
- repairing or maintaining roads, streets, sidewalks, or similar or adjacent property;
- installing accesses or egresses;
- fire protection; and
- law enforcement.

Municipalities may charge a development fee, sometimes called a lot levy. This fee is charged to developers of new housing or other new land developments in the municipality to offset the extra costs the development will create for the municipality. That is, extra costs, both present and future, that will arise as a result of the need to provide water, sewerage, drainage, roads, and recreational facilities. These development fees are not subject to the GST/HST when charged by a municipality.

However, if you are a land developer or builder and you recover the cost of any development fee that you had to pay by including it in the amount you charge your customer for a taxable supply, you have to collect the GST/HST on the total amount you charge to your customer for that taxable supply, including the amount you included to recover the development fee you had to pay. This applies even if the development fee is separately identified.

For more information on taxable and exempt supplies made by municipalities, see Guide RC4049, *GST/HST Information for Municipalities*.

Doing business with a government

Construction work for a provincial, territorial, or federal government

The governments of the provinces of Newfoundland and Labrador, Nova Scotia, New Brunswick, Prince Edward Island, and the government of the territory of Nunavut are required to pay the GST/HST on their purchases of taxable goods and services. All other provincial and territorial governments, including all of their government departments or ministries and some of their Crown corporations, boards, commissions, and agencies, do not have to pay the GST/HST on their taxable purchases.

Therefore, when a provincial or territorial entity provides sufficient documentation to support its entitlement to purchase goods and services on a tax-free basis, you do not charge the GST/HST on taxable sales you make to the entity. For audit purposes, you have to keep a record of the supporting documentation, including a certification clause, for any contracts you enter into with a provincial government.

You can claim ITCs for any GST/HST you paid or owe on purchases you used to sell or provide taxable goods and services to provincial or territorial governments.

Our tax services offices can provide a list of government departments, ministries, Crown corporations, and any other entity that is part of a provincial or territorial government for GST/HST purposes and that qualifies for this treatment. For more information, call us at **1-800-959-5525**.

This exception to the normal rules does not apply to contracts with the federal government.

Grants and subsidies

Grants, subsidies, contributions, or other similar payments, often called transfer payments, may be made for many different reasons (for example, a charity or a corporation may provide funding for the construction of housing for individuals in distress). Such payments may be made by any person, such as a government, public service body, commercial organization, or an individual.

Generally, transfer payments made in the public interest or for charitable purposes will not be subject to the GST/HST. However, if you receive a transfer payment in return for providing a taxable supply, the transfer payment may be subject to the GST/HST. For more information, see Technical Information Bulletin B-067, *Goods and Services Tax Treatment of Grants and Subsidies*, and Policy Statement P-061, *Extension of Transfer Payment Policy*.

Subsidized housing

There are special self-supply rules for builders who receive, or can reasonably expect to receive, government funding to build or substantially renovate housing or to build an addition to multiple unit housing, if at least 10% of the residential units in the housing are intended to be supplied, for example, to seniors, youths, students, individuals with a disability, individuals in distress or in need of assistance, or to individuals whose eligibility for a unit is based on a means or income test.

Note

These special self-supply rules also apply to a builder that is a government or municipality. In this case, the builder does not need to receive, or expect to receive, government funding.

For purposes of the special rules for subsidized housing, **government funding** means an amount of money paid or payable in respect of the housing by a grantor (or paid or payable by another organization that received the money from a grantor) to a builder of the housing (or addition) for the purpose of making residential units available to the individuals mentioned above. Government funding can include a forgivable loan from a grantor. The funding must be measurable and identified in your financial statements as government funding.

A **grantor** can be from any level of government—federal, provincial, and municipal. It also includes Indian bands and bodies established by federal, provincial, or municipal governments or bands, if one of the main purposes of the band or body is to fund charitable or non-profit activities. However, federal and provincial Crown corporations whose activities are substantially all (90% or more) commercial activities are not grantors.

During the construction phase, you can register for the GST/HST and claim ITCs for the goods and services you buy that relate to the construction of the housing.

Special rules for the self-supply of subsidized housing

If you are considered to have made a taxable self-supply of subsidized housing, that self-supply is considered to have been made on the later of the day the construction or substantial renovation is substantially completed and the day you first give possession or use of a unit in the housing to an individual under a lease, license or similar arrangement entered into for its use as a place of residence.

The GST/HST that you are considered to have paid and collected on the self-supply is equal to the **greater** of the following:

- the amount of the GST/HST calculated on the fair market value of the housing at the time of the self-supply; and
- the total of all of the GST/HST you pay or owe on the acquisition of the land, on the construction of the building, and on any other improvement to the property.

You may be considered to have made a self-supply of subsidized housing, for example, if you build or substantially renovate the housing and you give possession or use of the housing under a lease for the residential use of the housing by an individual. For more information on when a self-supply is considered to have been made, see “Self-supply when you lease the new house” on page 31.

Note

This rule can apply to a builder of new or substantially renovated subsidized housing whether they are a GST/HST registrant or not.

Example

You are a corporation in Saskatchewan, and you are a non-registrant for GST/HST purposes. You construct multiple-unit housing for which you receive government funding. You paid \$10,000 GST on the purchase of the land and \$20,000 GST on the construction of the building. At least 10% of the units in the housing will be leased to seniors.

The construction of the housing is substantially completed on August 11, 2008, and you first give possession or use of a unit in the housing on September 5, 2008, to an individual who will live in the unit as their place of residence. As the later of these two dates is the day you first gave possession or use of a unit in the housing, you are considered to have made a self-supply of the multiple-unit housing on September 5, 2008.

You calculate that the GST you pay or owe on the purchase of the land and on the construction of the building and other improvements you made to the property is \$30,000. As the fair market value of the housing (including the related land) on September 5, 2008, is determined to be \$550,000, the GST calculated on the fair market value of the property is \$27,500 ($\$550,000 \times 5\%$).

Since the GST paid on your costs is greater than the GST calculated on the fair market value of the housing, you are considered to have paid and collected, and you have to account for, \$30,000 GST. Since you are a non-registrant, you do this by filing Form GST62, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return (Non-Personalized)* by the end of the month following the month in which the self-supply occurred. As the self-supply occurred on September 5, 2008, in this case, you have to file Form GST62 and send your payment by October 31, 2008.

Also, as a non-registrant, you could not claim ITCs for the tax you paid to purchase the land and construct the housing. Since you are considered to have made a taxable sale of the housing (self-supply), you are now entitled to claim a rebate to recover the tax that you were previously unable to recover on the purchase of the land and the construction costs using Form GST189, *General Application for Rebate of GST/HST*.

Note

For more information on the rebate for a taxable sale of real property by a non-registrant, see Guide RC4033, *General Application for GST/HST Rebates*.

Special situations

Joint ventures

Generally, a joint venture is a written agreement between two or more parties to contribute resources, such as money, property, or skills, to a specific business undertaking, usually over the course of a set period of time. A joint venture does not include a partnership. A joint venture cannot register for the GST/HST separately from its participants. Generally, each of the joint venture participants has to register and account separately for the GST/HST as if the participants were carrying on his or her own commercial activity.

However, the joint venture participants can nominate an operator from among them to operate and manage the joint venture. The joint venture operator may be able to jointly elect with each joint venture participant separately to make the operator responsible to account for the GST/HST for the joint venture provided the joint venture participants are engaged in commercial activities. To make the joint election, the operator and each participant has to complete a separate Form GST21, *Election or Revocation of an Election to Have the Joint Venture Operator Account for GST/HST*.

For more information on the joint venture election, see Form GST21.

Seizure and repossession

As a GST/HST registrant, you do not pay or charge the GST/HST when you seize or repossess real property to satisfy a debt or obligation. However, if you later make a taxable sale of the property you have to charge the GST/HST, or if you later make a taxable self-supply of the property, you have to account for the tax on the self-supply. The normal rules apply to determine if the subsequent sale or self-supply is taxable.

If you decide to keep the property for your own use instead of selling or leasing it, you are considered to have sold the property. If that sale is taxable, you are considered to have paid and collected the GST/HST calculated on the fair market value of the property and you have to account for that tax by filing a GST/HST return. For more information, see “How do you account for the tax on a self-supply?” on page 32.

You may also be entitled to claim an ITC for the GST/HST you are considered to have paid on the sale.

Transfers of security interest

You do not charge or pay the GST/HST when you transfer property to someone else under an arrangement to secure payment of a debt. Additionally, you do not charge or pay the GST/HST when that person transfers the property back to you to discharge the security interest according to the law or the agreement. For example, no GST/HST applies to transfers of legal ownership or an interest in real property between a mortgagor and a mortgagee for purposes of securing the mortgagor's debt.

Remote work sites

A work site is generally considered to be remote if the nearest established community of 1,000 people or more is at least 80 kilometres away, using the most direct route normally travelled in the circumstances.

Normally, when you first give possession or use of new or substantially renovated housing, or a residential unit in multiple unit housing, or an addition to such housing, under a lease, licence, or similar arrangement for use by an individual as a place of residence or lodging, you are considered to have made a self-supply of the housing or addition, and you have to account for the GST/HST calculated on the fair market value of the housing, or addition, at that time.

However, if you build, substantially renovate, or convert housing to residential use, or build an addition to multiple unit housing that is located at a remote work site, you may be able to elect to defer the application of the GST/HST on the housing or addition until you either sell the housing or until you begin to lease it primarily (more than 50%) to persons who are not eligible individuals.

Note

Eligible individuals generally mean your employees, contractors, and subcontractors who are required to be at the remote work site to perform their duties, and also their relatives.

For more information, see Form GST17, *Election Concerning the Provision of a Residence or Lodging at a Remote Work Site*.

Appendix

The following is a list of elections, application forms, returns, guides, and technical publications that are mentioned throughout this guide. To get copies of these publications, visit our Web site at www.cra.gc.ca/gsthstpub, or call us at 1-800-959-2221.

Elections, returns, and application forms

GST21, *Election or Revocation of an Election to Have the Joint Venture Operator Account for the GST/HST*

GST22, *Real Property – Election to Make Certain Sales Taxable*

GST26, *Election or Revocation of an Election by a Public Service Body to Have an Exempt Supply of Real Property Treated as a Taxable Supply*

GST34, *Goods and Services Tax/Harmonized Sales Tax Return for Registrants*

GST60, *GST/HST Return for Acquisition of Real Property*

GST62, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return (Non-personalized)* (this form is not on the Internet)

GST189, *General Application for Rebate of GST/HST*

GST190, *GST/HST New Housing Rebate Application for Houses Purchased From a Builder*

GST191, *GST/HST New Housing Rebate Application for Owner-Built Houses*

GST191-WS, *Construction Summary Worksheet*

GST192, *GST/HST Transitional Rebate Application for Builders of New Housing on Leased Land*

GST193, *GST/HST Transitional Rebate Application for Purchasers of New Housing*

GST524, *GST/HST New Residential Rental Property Rebate Application*

GST525, *Supplement to the New Residential Rental Property Rebate Application – Multiple Units*

Guides

RC4022, *General Information for GST/HST Registrants*

RC4028, *GST/HST New Housing Rebate*

RC4033, *General Application for GST/HST Rebates*

RC4049, *GST/HST Information for Municipalities*

RC4081, *GST/HST Information for Non-Profit Organizations*

RC4082, *GST/HST Information for Charities*

RC4231, *GST/HST New Residential Rental Property Rebate*

GST/HST Memoranda Series

19.0, *Special Sectors – Real Property*

19.1, *Real Property and the GST/HST*

19.2, *Residential Real Property*

19.2.3, *Residential Real Property – Deemed Supplies*

19.3.6, *Rebate on Non-Registrant's Sale of Real Property*

19.5, *Land and Associated Real Property*

Technical information bulletins

B-067, *Goods and Services Tax Treatment of Grants and Subsidies*

B-092, *Substantial Renovations and the GST/HST New Housing Rebate*

B-096, *GST/HST Rate Reduction and Real Property*

Policy statements

P-061, *Extension of Transfer Payment Policy*

P-228, *Primary Place of Residence*

For more information

This guide uses plain language to explain the most common tax situations. If you need more help after you read this guide, call our Business Enquiries line at **1-800-959-5525**.

Internet

You can find GST/HST information for your type of business or operation by visiting our Web site at **www.cra.gc.ca/gsthst**. You may want to bookmark this address for easier access to our Web site in the future.

Forms and publications

Many of our forms and publications are available on our Web site at **www.cra.gc.ca/gsthstpub**. If you want to get copies of a publication or form, call us at **1-800-959-2221**.

Teletypewriter users

If you have a hearing or speech impairment and use a teletypewriter, you can call our bilingual enquiry service at **1-800-665-0354** during regular business hours.

Direct deposit



If you are expecting refunds or rebates when you file your GST/HST returns or rebate applications, you can complete and send us Form GST469, *Direct Deposit Request*. This form is available on our Web site at **www.cra.gc.ca/dd-bus**. This is a safe, convenient, dependable, and time-saving method of receiving your GST/HST refunds and rebates.

Problem Resolution Program

Our Enquiries staff is committed to resolving your tax-related problems by giving you accurate, timely, courteous, fair, and confidential answers to your questions. However, if a problem cannot be resolved, you can contact the Problem Resolution Program of your tax services office.

Our goal under this program is to acknowledge receipt of the problem within 2 working days and to resolve the problem within 15 working days. If we cannot do so (for example, if your case is complex), a representative will contact you to confirm that we are working on the problem, to discuss it further (if necessary), and to let you know when we expect to resolve it.

GST/HST electronic filing and remitting

You may be able to file your return electronically using GST/HST NETFILE or TELEFILE. You may also be able to file returns and make remittances electronically through a participating financial institution. You can also visit our Web site at **www.cra.gc.ca** and select "Online services" or contact your financial institution to find out more about these electronic filing and remitting options.

Your opinion counts

If you have any comments or suggestions that could help us improve our publications, we would like to hear from you. Please send your comments to:



**Taxpayer Services Directorate
Canada Revenue Agency
750 Heron Road
Ottawa ON K1A 0L5**