



Harmonized Sales Tax: Stated Price Net of GST/HST New Housing Rebates and the Ontario RST Transitional New Housing Rebate

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

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

This info sheet reflects proposed tax changes announced in:

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

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

This info sheet explains how to determine the consideration payable for new housing in Ontario where a builder's price includes the HST at 13% and is net of the GST/HST new housing rebate in respect of the federal part of the HST, if applicable, and the Ontario new housing rebate in respect of the provincial part of the HST credited by the builder to the purchaser, and the Ontario retail sales tax (RST) transitional new housing rebate that a purchaser assigned to the builder.

This info sheet applies only if the purchaser meets all of the conditions for each of the rebates. Since a purchaser is only entitled to claim an RST transitional new housing rebate in respect of a single unit residential complex, the formulas in this info sheet only apply to such housing. For purposes of this info sheet, a single unit residential complex includes a detached house, semi-detached house, a rowhouse unit or a duplex provided that such housing is not a condominium. The formulas in this info sheet do not apply to sales of residential condominium units, mobile homes, floating homes and multiple unit residential complexes.

Refer to GST/HST Info Sheet GI-085, *Harmonized Sales Tax: Stated Price Net of GST/HST New Housing Rebates in Ontario*, for the calculation of the consideration where a builder's stated price includes the HST and is net of the GST/HST new housing rebate and the Ontario new housing rebate, but is not net of the RST transitional new housing rebate.

Definitions for GST/HST purposes, e.g., builder, residential complex, single unit residential complex and substantial renovation, will generally apply under the HST, as will the CRA's current policies on the application of the GST to housing. Guide RC4052, *GST/HST Information for the Home Construction Industry*, and GST/HST Info Sheet GI-005, *Sale of a Residence by a Builder Who is an Individual*, explore many of these important terms and concepts. Others are explained in GST/HST Memorandum 19.2, *Residential Real Property*.

Housing rebates paid or credited by builder

Where certain conditions are met, the purchaser of a newly constructed or substantially renovated single unit residential complex may be entitled to claim a GST/HST new housing rebate in respect of the GST, or the federal part of the HST, paid on such housing. Purchasers in Ontario may also be entitled to claim an Ontario new housing rebate in respect of the provincial part of the HST paid on such housing. Refer to GST/HST Info Sheet GI-079, *Harmonized Sales Tax: Ontario New Housing Rebate*, for details. In addition, if the purchaser is an individual and the construction or substantial renovation of the single unit residential complex is at least 10% complete as of July 1, 2010, the purchaser may be entitled to claim an RST transitional new housing rebate to recover the estimated RST embedded in

La version française du présent document est intitulée *Taxe de vente harmonisée – Prix convenu déduction faite des remboursements de la TPS/TVH pour habitations neuves et du remboursement transitoire de la TVD pour habitations neuves en Ontario*.



the housing. For details, refer to GST/HST Info Sheet GI-096, *Harmonized Sales Tax: Provincial Transitional New Housing Rebates for Housing in Ontario and British Columbia*, which will be published soon.

The purchaser and the builder may agree to have the builder pay or credit both the amount of the GST/HST new housing rebate and the Ontario new housing rebate to the purchaser (or only the Ontario new housing rebate if the purchaser is not entitled to claim the GST/HST new housing rebate because the maximum threshold for this rebate was exceeded). They may also agree to have the purchaser assign the RST transitional new housing rebate to the builder.

In this case, the purchaser does not have to submit any of the rebate applications directly to the CRA. The purchaser will sign the rebate applications, including the assignment of the rebate section on Form RC7000-ON, *Ontario Retail Sales Tax (RST) Transitional New Housing Rebate*, and provide them to the builder. The builder will then be required to send the rebate applications to the CRA when the builder claims a deduction for these rebate amounts in its GST/HST return. The deduction for the GST/HST new housing rebate and the Ontario new housing rebate must be taken in the net tax calculation for the reporting period during which the total new housing rebate amount was paid or credited to the purchaser.

Stated price net of rebates

In this info sheet, the "stated price" is the amount the purchaser agrees to pay the builder for the housing, including the HST payable on the purchase.

The "stated price net of rebates" means the stated price for the housing net of any GST/HST new housing rebate and Ontario new housing rebate credited by the builder, and the RST transitional new housing rebate assigned to the builder.

The "consideration" payable for the purchase of the housing is the amount to be paid for the housing before any calculation of the tax payable and housing rebate entitlements for the purchaser.

Where a stated price net of rebates is used, a calculation must be made to determine the value of the consideration payable for the housing. The value of the consideration must be calculated before the tax payable can be determined. Similarly, the tax payable must be calculated before the amount of the rebates can be determined.

Separate formulas are needed to calculate the consideration, depending on the builder's stated price net of rebates and on whether the "consideration method" or the "floor space method" is used to calculate the RST transitional new housing rebate.

Refer to **Appendix A** for a summary chart of the formulas to determine the consideration for a single unit residential complex where the RST transitional new housing rebate is based on the consideration method.

Refer to **Appendix B** for a summary chart of the formulas to determine the consideration for a single unit residential complex where the RST transitional new housing rebate is based on the floor space method.

Conditions

The formulas in Appendix A (consideration method) and Appendix B (floor space method) can **only** be used if **all** of the following conditions are met:

- the purchaser is buying a newly constructed or substantially renovated single unit residential complex from a builder, together with the related land;
- the housing is situated in Ontario;
- HST at 13% applies to the sale;
- the purchaser meets the conditions for claiming the Ontario new housing rebate;
- the purchaser meets the conditions for claiming the RST transitional new housing rebate and assigns this rebate to the builder;
- the builder pays or credits the Ontario new housing rebate and, where applicable, the GST/HST new housing rebate in respect of the federal part of the HST to the purchaser; and

- the builder and the purchaser have agreed to a stated price net of the Ontario new housing rebate, the GST/HST new housing rebate in respect of the federal part of the HST, if applicable, and the RST transitional new housing rebate.

Calculating the consideration payable using Appendix A (consideration method)

To determine which formula in Appendix A is to be used for a particular sale, find the price range for the builder's stated price net of rebates. Then, based on the degree of completion of the housing as of July 1, 2010, choose the formula that applies for that stated price net of rebates. The formula can then be used to calculate the consideration payable for the housing. Once the consideration is known, the HST payable and the various rebate amounts can also be determined.

In each formula:

C = consideration

P = the stated price net of rebates

The following shows how the consideration is calculated for each of the five degree-of-completion categories for the RST transitional new housing rebate, where the stated price net of rebates for a detached house is \$400,000.

Step 1: Find the price range in Appendix A

In this case, the stated price net of rebates of \$400,000 falls within the "more than \$361,200 and not more than \$416,850" price range in Appendix A. Use this column for step 2.

Step 2: Select the formula

Using the column for the price range established in step 1, select the formula based on the degree of completion of the house as of July 1, 2010.

If the degree of completion of the construction or substantial renovation is **at least 10% and less than 25% complete**, the following formula applies to determine the consideration payable for the house:

$$C = (P + \$28,350) \div 1.128$$

Example 1

The stated price net of rebates is \$400,000 and all of the conditions for using the formulas in Appendix A are met. Construction of the detached house is 20% complete as of July 1, 2010. The consideration would be calculated as follows:

Consideration

$$= (\$400,000 + \$28,350) \div 1.128$$

$$= \$379,742.91$$

Once the consideration is determined, the tax payable and the new housing rebates may be calculated.

HST payable

$$= \$379,742.91 \times 13\%$$

$$= \$49,366.58$$

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

$$= \$6,300 \times [(\$450,000 - \$379,742.91) \div 100,000]$$

$$= \$4,426.20$$

Ontario new housing rebate

$$= (\$379,742.91 \times 8\%) \times 75\%$$

$$= \$22,784.58$$

RST transitional new housing rebate

$$= \$379,742.91 \times 2\% \times 25\%$$

$$= \$1,898.71$$

If the degree of completion of the construction or substantial renovation is **at least 25% and less than 50% complete**, the following formula applies to determine the consideration payable for the house:

$$C = (P + \$28,350) \div 1.123$$

Example 2

The stated price net of rebates is \$400,000 and all of the conditions for using the formulas in Appendix A are met. Construction of the detached house is 40% complete as of July 1, 2010. The consideration would be calculated as follows:

Consideration

$$= (\$400,000 + \$28,350) \div 1.123$$

$$= \$381,433.66$$

Once the consideration is determined, the tax payable and the new housing rebates may be calculated.

HST payable

$$= \$381,433.66 \times 13\%$$

$$= \$49,586.38$$

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

$$= \$6,300 \times [(\$450,000 - \$381,433.66) \div 100,000]$$

$$= \$4,319.68$$

Ontario new housing rebate

$$= (\$381,433.66 \times 8\%) \times 75\%$$

$$= \$22,886.02$$

RST transitional new housing rebate

$$\begin{aligned} &= \$381,433.66 \times 2\% \times 50\% \\ &= \$3,814.34 \end{aligned}$$

If the degree of completion of the construction or substantial renovation is **at least 50% and less than 75% complete**, the following formula applies to determine the consideration payable for the house:

$$C = (P + \$28,350) \div 1.118$$

Example 3

The stated price net of rebates is \$400,000 and all of the conditions for using the formulas in Appendix A are met. Construction of the detached house is 60% complete as of July 1, 2010. The consideration would be calculated as follows:

Consideration

$$\begin{aligned} &= (\$400,000 + \$28,350) \div 1.118 \\ &= \$383,139.53 \end{aligned}$$

Once the consideration is determined, the tax payable and the new housing rebates may be calculated.

HST payable

$$\begin{aligned} &= \$383,139.53 \times 13\% \\ &= \$49,808.14 \end{aligned}$$

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

$$\begin{aligned} &= \$6,300 \times [(\$450,000 - \$383,139.53) \div 100,000] \\ &= \$4,212.21 \end{aligned}$$

Ontario new housing rebate

$$\begin{aligned} &= (\$383,139.53 \times 8\%) \times 75\% \\ &= \$22,988.37 \end{aligned}$$

RST transitional new housing rebate

$$\begin{aligned} &= \$383,139.53 \times 2\% \times 75\% \\ &= \$5,747.09 \end{aligned}$$

If the degree of completion of the construction or substantial renovation is **at least 75% and less than 90% complete**, the following formula applies to determine the consideration payable for the house:

$$C = (P + \$28,350) \div 1.115$$

Example 4

The stated price net of rebates is \$400,000 and all of the conditions for using the formulas in Appendix A are met. Construction of the detached house is 80% complete as of July 1, 2010. The consideration would be calculated as follows:

Consideration

$$\begin{aligned} &= (\$400,000 + \$28,350) \div 1.115 \\ &= \$384,170.40 \end{aligned}$$

Once the consideration is determined the tax payable and the new housing rebates may be calculated.

HST payable

$$\begin{aligned} &= \$384,170.40 \times 13\% \\ &= \$49,942.15 \end{aligned}$$

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

$$\begin{aligned} &= \$6,300 \times [(\$450,000 - \$384,170.40) \div 100,000] \\ &= \$4,147.26 \end{aligned}$$

Ontario new housing rebate

$$\begin{aligned} &= (\$384,170.40 \times 8\%) \times 75\% \\ &= \$23,050.22 \end{aligned}$$

RST transitional new housing rebate

$$\begin{aligned} &= \$384,170.40 \times 2\% \times 90\% \\ &= \$6,915.07 \end{aligned}$$

If the degree of completion of the construction or substantial renovation is **at least 90% complete**, the following formula applies to determine the consideration payable for the house:

$$C = (P + \$28,350) \div 1.113$$

Example 5

The stated price net of rebates is \$400,000 and all of the conditions for using the formulas in Appendix A are met. Construction of the detached house is 90% complete as of July 1, 2010. The consideration would be calculated as follows:

Consideration

$$\begin{aligned} &= (\$400,000 + \$28,350) \div 1.113 \\ &= \$384,860.74 \end{aligned}$$

Once the consideration is determined, the tax payable and the new housing rebates may be calculated.

HST payable

$$\begin{aligned} &= \$384,860.74 \times 13\% \\ &= \$50,031.90 \end{aligned}$$

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

$$\begin{aligned} &= \$6,300 \times [(\$450,000 - \$384,860.74) \div 100,000] \\ &= \$4,103.77 \end{aligned}$$

Ontario new housing rebate

$$\begin{aligned} &= (\$384,860.74 \times 8\%) \times 75\% \\ &= \$23,091.65 \end{aligned}$$

RST transitional new housing rebate

$$\begin{aligned} &= \$384,860.74 \times 2\% \times 100\% \\ &= \$7,697.21 \end{aligned}$$

Calculating the consideration payable using Appendix B (floor space method)

To determine which formula in Appendix B is to be used for a particular sale, the square metres of the

interior floor space in the housing must be known. Interior floor space includes basements and attics that are finished to a standard that is comparable to the living areas of the housing. A rough basement or attic that has no insulation or finished walls does not form part of the interior floor space. Garages, parking areas, crawl spaces, and areas set aside for a furnace or hot water tank also do not qualify as part of the interior floor space.

Find the column that reflects the approximate consideration payable for the housing. Then, based on the degree of completion of the housing as of July 1, 2010, choose the formula that applies for that amount of consideration. Knowing the square metres of interior floor space, the formula can then be used to calculate the consideration payable for the housing. Once the consideration is known, the HST payable and the various rebate amounts can also be determined.

In each formula:

- C** = consideration
- P** = the stated price net of rebates
- SM** = the square metres of interior floor space

The following shows how the consideration is calculated for a detached house, where the construction of the house is 30% complete as of July 1, 2010. The house has 180 square meters of interior floor space and the stated price net of rebates is \$390,000.

Step 1: Find the price range in Appendix B

In this case the stated price net of rebates is \$390,000 and the approximate consideration payable for the house falls within the “more than \$350,000

and not more than \$400,000” price range in Appendix B. Use this column for step 2.

Step 2: Select the formula

Using the column for the price range established in step 1, select the formula based on the degree of completion of the house as of July 1, 2010. Since the degree of completion of the construction is **at least 25% and less than 50% complete**, the following formula applies to determine the consideration payable for the house:

$$C = [P + \$28,350 + (\$22.50 \times SM)] \div 1.133$$

Example 6

The stated price net of rebates is \$390,000 and all of the conditions for using the formulas in Appendix B are met. Construction of the house is 30% complete as of July 1, 2010 and the house has 180 square metres of interior floor space. The consideration would be calculated as follows:

$$\begin{aligned} \text{Consideration} &= [\$390,000 + \$28,350 + (\$22.50 \times 180)] \div 1.133 \\ &= \$372,815.53 \end{aligned}$$

Once the consideration is determined, the tax payable and the new housing rebates may be calculated.

$$\begin{aligned} \text{HST payable} &= \$372,815.53 \times 13\% \\ &= \$48,466.02 \end{aligned}$$

$$\begin{aligned} \text{GST/HST new housing rebate in respect of the federal part of the HST} &= \$6,300 \times [(\$450,000 - \$372,815.53) \div 100,000] \\ &= \$4,862.62 \end{aligned}$$

$$\begin{aligned} \text{Ontario new housing rebate} &= (\$372,815.53 \times 8\%) \times 75\% \\ &= \$22,368.93 \end{aligned}$$

$$\begin{aligned} \text{RST transitional new housing rebate} &= \$45.00 \times 180 \text{ SM} \times 50\% \\ &= \$4,050.00 \end{aligned}$$

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

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

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

Appendix A – FORMULAS TO DETERMINE CONSIDERATION WHERE RST TRANSITIONAL NEW HOUSING REBATE IS BASED ON CONSIDERATION METHOD

C = Consideration

P= Stated price net of rebates

Degree of completion as of July 1, 2010	If P is \$361,200 or less	If P is more than \$361,200 and not more than \$416,850	If P is more than \$416,850 and not more than \$475,500	If P is more than \$475,500
< 10%*	N/A	N/A	N/A	N/A
10% ≤ and < 25%	$C = P \div 1.047$	$C = (P + \$28,350) \div 1.128$	$C = (P + \$52,350) \div 1.188$	$C = (P + \$24,000) \div 1.125$
25% ≤ and < 50%	$C = P \div 1.042$	$C = (P + \$28,350) \div 1.123$	$C = (P + \$52,350) \div 1.183$	$C = (P + \$24,000) \div 1.12$
50% ≤ and < 75%	$C = P \div 1.037$	$C = (P + \$28,350) \div 1.118$	$C = (P + \$52,350) \div 1.178$	$C = (P + \$24,000) \div 1.115$
75% ≤ and < 90%	$C = P \div 1.034$	$C = (P + \$28,350) \div 1.115$	$C = (P + \$52,350) \div 1.175$	$C = (P + \$24,000) \div 1.112$
≥ 90%	$C = P \div 1.032$	$C = (P + \$28,350) \div 1.113$	$C = (P + \$52,350) \div 1.173$	$C = (P + \$24,000) \div 1.11$

* An RST transitional new housing rebate is not available where the degree of completion is less than 10% as of July 1, 2010. Consequently, the formulas in this info sheet do not apply.

Appendix B – FORMULAS TO DETERMINE CONSIDERATION WHERE RST TRANSITIONAL NEW HOUSING REBATE IS BASED ON FLOOR SPACE METHOD

C = Consideration
P = Stated price net of rebates
SM = Square metres of interior floor space

Degree of completion as of July 1, 2010	If consideration is \$350,000 or less	If consideration is more than \$350,000 and not more than \$400,000	If consideration is more than \$400,000 and not more than \$450,000	If consideration is more than \$450,000
< 10%*	N/A	N/A	N/A	N/A
10% ≤ and < 25%	$C = [P + (\$11.25 \times SM)] \div 1.052$	$C = [P + \$28,350 + (\$11.25 \times SM)] \div 1.133$	$C = [P + \$52,350 + (\$11.25 \times SM)] \div 1.193$	$C = [P + \$24,000 + (\$11.25 \times SM)] \div 1.13$
25% ≤ and < 50%	$C = [P + (\$22.50 \times SM)] \div 1.052$	$C = [P + \$28,350 + (\$22.50 \times SM)] \div 1.133$	$C = [P + \$52,350 + (\$22.50 \times SM)] \div 1.193$	$C = [P + \$24,000 + (\$22.50 \times SM)] \div 1.13$
50% ≤ and < 75%	$C = [P + (\$33.75 \times SM)] \div 1.052$	$C = [P + \$28,350 + (\$33.75 \times SM)] \div 1.133$	$C = [P + \$52,350 + (\$33.75 \times SM)] \div 1.193$	$C = [P + \$24,000 + (\$33.75 \times SM)] \div 1.13$
75% ≤ and < 90%	$C = [P + (\$40.50 \times SM)] \div 1.052$	$C = [P + \$28,350 + (\$40.50 \times SM)] \div 1.133$	$C = [P + \$52,350 + (\$40.50 \times SM)] \div 1.193$	$C = [P + \$24,000 + (\$40.50 \times SM)] \div 1.13$
≥ 90%	$C = [P + (\$45 \times SM)] \div 1.052$	$C = [P + \$28,350 + (\$45 \times SM)] \div 1.133$	$C = [P + \$52,350 + (\$45 \times SM)] \div 1.193$	$C = [P + \$24,000 + (\$45 \times SM)] \div 1.13$

* An RST transitional new housing rebate is not available where the degree of completion is less than 10% as of July 1, 2010. Consequently, the formulas in this info sheet do not apply.