



What is HST?

As of July 1, 2010, the Ontario Government will be harmonizing the five per cent Provincial Sales Tax and the eight per cent Federal Goods and Services tax, into a harmonized 13 per cent tax.

Harmonized Sales Tax (HST) follows the same general rules as GST. Businesses that are registered for GST will be required to collect the HST. All GST registrants are automatically registered for HST.

Residential and commercial properties and the HST

Currently the GST (five per cent) does not apply to used housing, but does apply to almost all sales of commercial properties. These rules will continue to apply under the HST and would appear not to have a direct impact on the sale of pre-owned homes. However, many of the services that go into preparing a pre-owned home for resale (e.g., renovations and realtor fees) will see an increase in unrecoverable tax (five per cent to 12 and 13 per cent) that will have to be accounted for by the home seller.

Buyers of commercial properties should not experience any additional unrecoverable tax on these properties provided they are registered for the GST/HST and are using the property exclusively in commercial activities (e.g., the making of GST/HST taxable supplies).

New-home purchases

Under the GST new-home buyers may have been entitled to a new-housing rebate that allowed the individual to recover 36 per cent of the GST that they paid to builders to acquire a new home. The 36 per cent GST rebate was available on homes up to a maximum purchase price of \$350,000 (maximum GST rebate of \$6,300). New homes that cost more than \$350,000 but less than \$450,000 were entitled to a sliding scale rebate, with new homes costing \$450,000 or more not eligible for any GST rebate.

Under the HST new-home buyers will still be entitled to the GST Rebate, but would also be entitled to a new-housing rebate on the

provincial component of the HST. Ontario has announced that new-home buyers will be entitled to a 75 per cent rebate of the provincial component up to a maximum of \$24,000.

Also, sales of new homes under written Agreements of Purchase and Sale entered into on or before June 18, 2009 would not be subject to the provincial portion of the single sales tax, even if both ownership and possession are transferred on or after July 1, 2010.

The tax would also not apply to sales of new homes under written Agreements of Purchase and Sale entered into after June 18, 2009 where ownership or possession is transferred before July 1, 2010.

Additional transitional rules

With regard to the sale of non-residential property, HST is due where both possession and ownership of non-residential property occurs on or after July 1, 2010.

With regard to the lease or license of goods, including non-residential real property, HST will generally apply to lease intervals or payment periods on or after July 1, 2010 and the general rules noted above will apply. However, where a lease interval begins before July 2010 and ends before July 31, 2010, it is not subject to HST.

Due to the continuing recession, the timing could not be worse for Ontario families. However, many experts are now speculating that harmonizing the taxes could benefit lower and middle-income families the most. One-time relief cheques, new credits and income tax breaks will help offset the impact of HST, but families will still be feeling the financial strain.

To learn more about the HST as a consumer or a business please visit the Canada Revenue Agency Web site.

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