

Returning to the PST and GST

On April 1, 2013, the Harmonized Sales Tax (HST) was replaced by the Federal Goods and Services Tax (GST) and the BC Provincial Sales Tax (PST).

When does HST apply and when does GST apply?

The 12% HST applies if the seller transfers either possession or ownership of a new home to the buyer before April 1, 2013.

The 5% GST applies if the seller transfers both possession and ownership of a new home on, or after, April 1, 2013.

The PST and real estate commissions

The return to the PST on April 1, 2013 will affect the taxes you charge on your services.

- If a commission or fee is payable before April 1, 2013, the 12% HST applies.
- If a commission or fee is payable on or after April 1, 2013, then the 5% GST applies.

When does the commission become payable?

The commission is paid on whichever of the following two transactions comes first:

- the completion date under the Contract of Purchase and Sale; or
- the actual date that the sale completes.

What about the 2% BC Transition Tax?

The 2% BC Transition Tax will apply to the sale of new residential homes if ownership and possession take place on or after April 1, 2013 and the construction or substantial renovation of the new home is 10% or more complete as of April 1, 2013.

The 2% tax ceases to apply if ownership and possession are on or after April 1, 2015. The 2% reflects an embedded PST builders pay on materials (construction inputs). Under the HST, builders can write off that embedded 2%, but they cannot under the GST.

Resources

To ensure the transition goes smoothly, here are resources to help you.

Real Estate Board of Greater Vancouver

The Board has prepared two fact sheets:

GST and the 2% BC Transition Tax on new homes; and

information about the HST/PST new housing transitional rules.

Visit: www.realtorlink.ca and under Latest News you will see both fact sheets.

BC Real Estate Association

BCREA's PST transition information site has a range of useful resources and links. Visit:

www.bcrea.bc.ca/government-relations/hst-pst-resources/pst-transition-rules

Included on that site are links to two new federal government bulletins on GST/HST which are important to the real estate industry:

- Canada Revenue Agency GST/HST Info Sheet: GI-156, *Elimination of the Harmonized Sales Tax in British Columbia: British Columbia Transition Tax on New Housing* (March 2013): www.cra-arc.gc.ca
- Canada Revenue Agency GST/HST Info Sheet: GI-157, *Elimination of the Harmonized Sales Tax in British Columbia: British Columbia Transition Rebate for Builders of New Housing* (March 2013): www.cra-arc.gc.ca

BC Government

The BC Ministry of Finance has prepared bulletins, seminars, videos, webinars, and registration information for the return to the PST. Visit: www.gov.bc.ca/pst

The government has announced, effective February 19, 2014, under the Property Transfer Tax (PTT) First-Time Home Buyers Exemption program, qualifying first-time buyers can buy a home worth up to \$475,000. The previous threshold was \$425,000. The partial exemption continues and will apply to homes valued between \$475,000 and \$500,000.

B.C.'s new provincial sales tax, in April 1, will be substantially different from its predecessor

Preparing for the end of the HST

By voting yes to "reinstate" the PST in the 2011 HST referendum, many B.C. voters assumed that the old PST would return as it was immediately before the implementation of HST on July 1, 2010. In fact the new Provincial Sales Tax Act, which re-imposes PST effective April 1, 2013, will be substantially different from its predecessor Social Service Tax Act.

Certainly the changeover in tax systems has provided an opportunity to improve on the old tax. After the initial release of the new law in May 2012 the Ministry of Finance website stated that the "new PST Act implements a tax that is substantially the same as the old PST, and provides all the same permanent exemptions – but in a new, modern, clear, comprehensive act." Many of the changes are therefore intended to fill in gaps in the application and administration of the old tax. But some expansion of the tax is clear from the latest version of the Provincial Sale Tax Act released January 9, 2013.

The old PST, for example, did not apply to digital downloads. The new PST taxes purchases from iTunes, Netflix and similar digital-content providers under the guise of the old tax on *telecommunication services*. The new definition of that term encompasses not only traditional communication services (e.g., telephone services) but the accessing, downloading or viewing of "audio books,

audio programs, music, ring tones, a television program, motion picture or other videos."

Other changes are more subtle but nonetheless expand the tax base. The old PST applied to *taxable services*, which meant services "to install, assemble, dismantle, repair, adjust, restore, recondition, refinish or maintain tangible personal property" (i.e., physical goods of any kind). The new law contains a tax on *related services*, which means "any service *provided to* tangible personal property." Arguably, a service "provided to" a good means an action that changes its properties with the result that the new definition simply reduces the number of verbs in the old taxable service definition.

Questions remain

But there are two problems with the new definition. First, it is not clear that a service *provided to* a good is one that necessarily changes its physical properties. If you pay a mover to move furniture, you have relocated the good. Is that a service provided to a good? If so, then potentially *related services* encompass a whole range of services that were not taxed previously: furniture mov-

ing, transporting, storing, warehousing and appraising goods, to name a few.

Second, the old definition of *taxable service* was interpreted as entailing a limited change to the properties of the good. Substantial transformations were considered to be manufacturing services that were outside the tax base. The Ministry of Finance therefore ruled that hardening steel, drying lumber, log banding, custom cutting, engraving, firing ceramics, sign painting and even bronzing baby shoes were not *taxable services* under the old PST. But the distinction between limited changes and substantial transformations is now gone based on the broad definition of *related service* in the new PST. Any business providing a service involving goods must be concerned with the expansive definition.

These changes are provided for in the publicly released Provincial Sale Tax Act. But major areas of the tax are to be covered by regulations that have not been released. For example, the exemptions for equipment used in manufacturing, mining and the oil and gas industries will be contained in the regulations that are yet to be released. As a result, with less than three months remaining before the implementation of the new PST, B.C.'s manufacturers and their suppliers do not know whether the exemption will be reinstated as it read before HST or whether it will be narrowed to resolve the outstanding issues still being litigated under the old PST.

Opportunity missed

At the same time some aspects of the tax that merit improvement remain unchanged. A governing principle of the PST has always

been to ensure that B.C. residents do not avoid the tax by procuring goods and services outside the province. Self-assessment rules applied to ensure that imports were subject to tax. A curious aspect of the old law was that in the case of legal services, the only professional service subject to PST, the tax policy appears reversed. The law created an incentive for businesses to retain lawyers *outside* the province. Surely the tax on legal services was due for improvement? Instead, the old tax on legal services has simply been reproduced in the new PST.

As April 1 approaches many questions remain. In particular, businesses want to know whether to purchase or at least pre-pay for goods and services now and pay the HST. The 7 per cent provincial portion of the HST can be recovered by most businesses as an input tax credit under the HST system whereas the 7 per cent PST will be a fixed cost. For the construction industry the answer seems to be a clear "no." The revised Provincial Sales Tax Act imposes new PST on all building materials used in construction on or after April 1 regardless of when the items have been purchased or paid for. For all other goods and services that will be taxed under the new PST the transitional rules suggest that PST can be avoided by prepaying for goods and services before April 1, 2013.

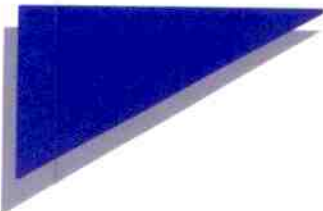
But nothing is certain in the absence of final legislation, including regulations. Presumably the final legislative package will be released by the time the B.C. legislature begins its next sitting in February, less than two months before de-harmonization. ♦

Terry Barnett is the partner in charge of GST/HST and commodity taxes at Thorsteinssons LLP, Canada's largest law firm specializing in taxation. He writes extensively on GST/HST and PST tax matters. He can be reached at 604-602-4271.



TAX STRATEGY

TERRY BARNETT



Vohora & Company

Chartered Accountants LLP

Goods Used in Improvements to Real Property:

Tangible personal property (goods) purchased in BC or brought, sent or received into BC by a person for the purpose of improving their own real property will be subject to PST, unless a specific exemption applies.

Goods purchased in BC or brought, sent or received into BC by a **contractor** for the purpose of fulfilling a contract under which the contractor is required to supply and affix, or install affixed machinery or improvements to real property, and under the terms of the contract the goods will be used such that the goods cease to be personal property at common law, will be subject to PST, unless a specific exemption applies.

Example:

A roofing contractor has a contract to install a new roof on a building. The roofing contractor purchases replacement shingles on March 25, 2013 and installs them on the building on or after April 1, 2013

PST applies to the purchase price of the replacement shingles for the contractor because they were used to improve real property on or after April 1, 2013

New Home Purchases:

The housing transition rules help ensure when people buy a newly constructed home under the PST, whether built entirely under the HST, entirely under the PST, or partly under HST and partly under the PST, they will generally all pay a consistent and equitable amount of tax. The transition rules provide certainty for new-home construction and sales, particularly during the transition period.

- B.C.'s portion of the HST will no longer apply to newly built homes where ownership and possession transfer **on or after April 1, 2013**.
- While PST will not apply to the purchase of new homes, **builders will once again pay seven per cent PST on their building materials**. On average, about two per cent of the home's purchase price will again be embedded PST.
- The temporary housing transition measures will **be in place for two years, until March 31, 2015**.
- A new **temporary housing transition tax of two per cent will generally apply to purchasers of new homes where at least 10 per cent of construction has begun before April 1, 2013, and ownership and possession transfer on or after that date**.

Example:

A builder acquires construction materials to construct a single-unit house which will be sold under a written agreement for the sale of the house together with land. The home is 40 per cent completed as of April 1, 2013, and both ownership and possession of the home will transfer to the purchaser on June 15, 2013

PST applies to the purchase price of the construction materials incorporated into the house on or after April 1, 2013, and to the purchase price of construction materials acquired on or after April 1, 2013



The 2% BC Transition Tax on new homes is coming April 1, 2013

If you have clients who will be buying a new home in the next few months or over the next two years, then you need to know about the 2% BC Transition Tax.

It is a new tax that comes into effect on April 1, 2013. It will apply to the sale of new residential homes that are 10% or more complete as of April 1, 2013. The 2% BC Transition Tax will end on March 31, 2015.

The 2% BC Transition Tax applies to the full price of a new home, which is 10% or more complete, where ownership or possession is on or after April 1, 2013, but before April 1, 2015. The 5% GST also applies to the full price of a new home, where ownership or possession is on or after April 1, 2013.

With the end of the HST and the return to the PST/GST system, the BC government chose to introduce the 2% BC Transition Tax as a way, in their words, "to ensure the equitable application of tax for purchasers of new residential homes currently under the HST system" and after April 1, 2013 when the province returns to GST on new residential homes. The government also wishes to replace some of the revenue lost through the return to the PST.

BC's portion of the HST will no longer apply to newly built homes where construction begins on or after April 1, 2013. Builders will once again pay 7% PST on their building materials (construction inputs). The provincial government asserts that on average, about 2% of the home's final price is embedded PST that builders pay on their building materials.

The Transition Tax rebate for builders (sellers) recognizes that the builder will not be able to claim input tax credits on the PST paid on building materials acquired after March 31, 2013. The rebate is available where both of the following conditions are met:

- The 2% BC Transition Tax applies to the sale of new housing; and
- Construction or substantial renovation is at least 10%, but not more than 90%, complete before April 1, 2013.

The Transition Tax rebate for sellers of new housing will be calculated on the degree of completion of the housing as of April 1, 2013:

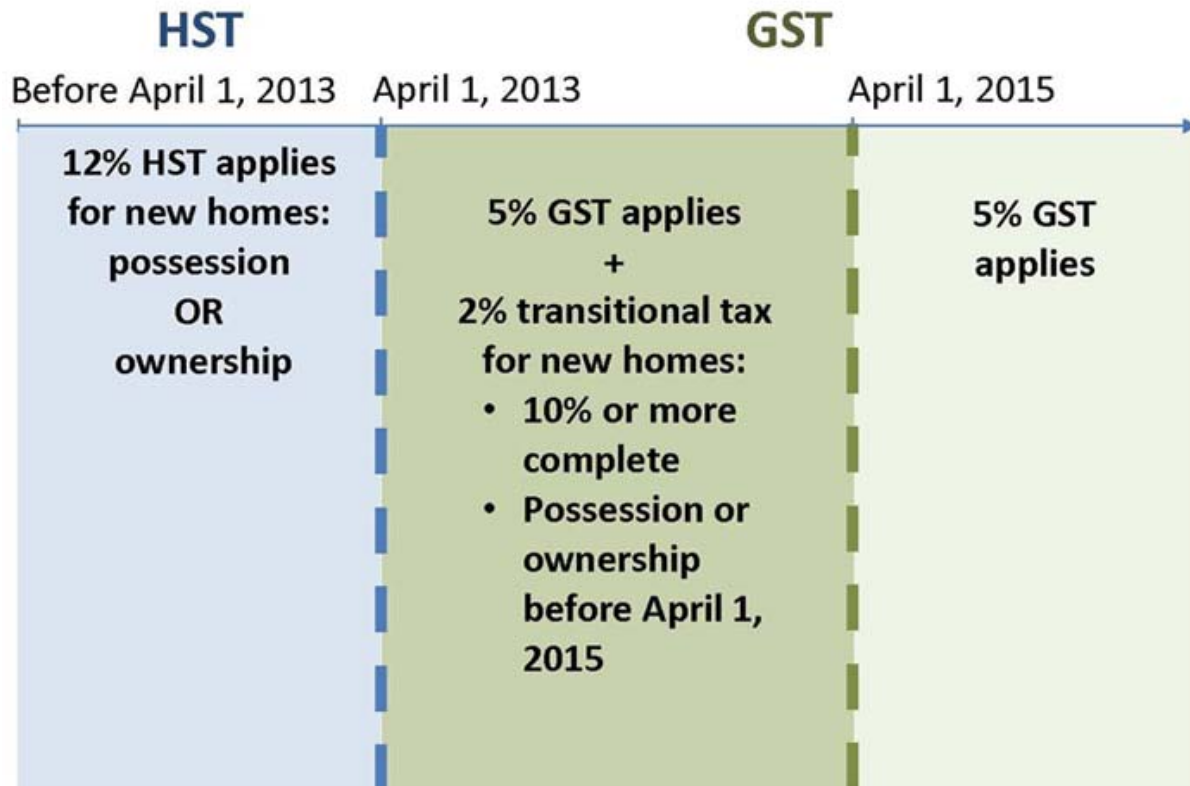
Degree of Construction Complete as of April 1, 2013	Transition Tax Rebate as a % of Consideration or Fair Market Value
Less than 10 %	Not applicable
10 % ≤ and < 25 %	1.5%
25 % ≤ and < 50 %	1.0%
50 % ≤ and < 75 %	0.5%
75 % ≤ and < 90 %	0.2%
90 % or greater	0.0%

The 2% BC Transition Tax does NOT apply to:

- the sale of vacant land, whether the GST would apply or not;

*"These transition rules are part of a comprehensive package designed to provide equity for buyers of newly built homes and clarity and certainty for the construction industry – an important job creator in our province."
– Then Finance Minister Hon. Kevin Falcon, May 28, 2012*

- the sale of new commercial units; or
- REALTOR® commissions.



Source: BCREA PST Transition Rules website at www.bcrea.bc.ca/government-relations/pst-transition-rules

For more information view the Board's Fact Sheet: [Information about the HST/PST New Housing Transition Rules](#).
 If you have questions, call Harriet Permut, Manager, Government Relations at 604.730.3029.

⏪ BACK

PST for beginners: It's complex and confusing

The change from HST will mean businesses won't get rebates on all the sales taxes they pay

Kristine Theurer's job was getting her down.

The music therapist and singer-songwriter was working in long-term care seniors' homes and "the depression and loneliness among residents was breaking my heart,"

Almost half of the 50,000 residents in Canadian long-term care homes show signs of depression, a 2010 Canadian Institute for Health Information study found.

"Isn't that a moral and social crisis?" she said. "That's not because we're not trying. There's no money to hire psychologists and mental health care specialists, and it's

So in September 2011, Theurer started Java Music Club to help seniors form mutual support groups. Java is one of the 125,000 B.C. companies that have opened for business since the province introduced the HST in July 2010. Many are now struggling to understand how the PST will affect their bottom lines when it is reinstated on April 1. Most of these new businesses are in service industries, said Mark Eversfield, a market research analyst with Small Business BC. Retail accounts for 23 per cent. The rest are in construction, finance, transportation and manufacturing.

Java Music Club uses music, photography, quotes and readings to engage people in conversation. Theurer sells a kit that includes her recordings of well-known songs, facilitator materials and training sessions. The idea is to help seniors help one another.

PST IN BRIEF

Right now, Theurer pays 12-per-cent HST on her costs, and collects 12-percent HST on her sales in B.C. She subtracts HST paid from HST collected, and remits the difference back.

But starting on April 1, she will have to start paying two sales taxes.

She'll pay five-per-cent GST on pretty much everything except financial services, and collect five-per-cent GST on her B.C. sales. She'll subtract GST costs from GST collected, and she gets her GST costs back.

PST is much more complicated. The provincial government still hasn't finalized PST rules, but in principle when you buy a product to resell, you don't pay PST on the purchase. For products for your use, you do pay PST, and you don't get it back. When you sell a tangible product to a customer, you likely have to collect and remit PST.

THEURER'S TAXES

Theurer sells a kit that includes PST-taxable and PST-exempt goods and services for a single price. Chances are, the kit's educational components (facilitator's guide, recordings, etc.) are PST-exempt, according to chartered accountant Gordon Baldwin and commodity tax specialist Paul Bekenn of KNV Chartered Accountants in Vancouver.

But there are nitpicky details. If her facilitator's guide is a book, it will be exempt, but if it's a pamphlet or collection of single loose leaf sheets, it could be taxable, Bekenn says.

Theurer would expect to be PST-exempt when buying her talking sticks, DVDs and CDs because they are for resale, but there are special rules for bundled sales. If she sells the kit on these items, she won't pay PST. If she doesn't have to charge PST, she will pay PST.

And there's more: Theurer's program includes an intangible - a licence for the right to use her program - and that's not PST taxable. So the next question is, how much

Finally, like all business owners, Theurer will pay PST on purchases such as computers, advertising material, office signage, car maintenance, and liquor when entertaining customers. "If she pays any PST, it's a cost a

Generally, if you're in retail, you'll also be worse off.

You will charge the consumer PST and remit it. You'll pay no PST on inventory you buy for resale, but you will pay PST on items (computers, furniture) you buy for use. You'll pay five-per-cent GST, but get that back.

If you provide a non-taxable service, you'll be somewhat affected. Many services are PST exempt, so you'll charge clients less sales tax.

"You'll be charging only five per cent on your products or services. That's good, but if you look behind the scenes at what it costs to run your business, you'll be paying more because the PST can't be recovered. The cost is buried. You're going to have to somehow recover that tax or eat it," Bekenn said. Some services, such as legal and tax, are exempt from PST.

Who you are selling to makes a difference.

If you're selling to another business that's been getting HST back, your cost of doing business in B.C. will go up because PST will be buried in your costs. Buy a cash register after March 31, and you'll pay five-per-cent GST, seven-per-cent PST, and only get five per cent back.

If your business is selling a service to a consumer, you will be able to charge seven per cent less (think landscaping, haircuts, tailoring, dry cleaning), but you'll still pay the same for the services needed to run your business. Theurer and her accountants are still waiting to see how it all turns out.

"I have no idea what it's going to do with my bottom line," Theurer said. "I'm ever optimistic and hopeful, but I can't figure it out (on my own)."

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THE B.C. FIRST-TIME NEW HOME BUYERS' BONUS

Subject to approval by the legislature, the B.C. government intends to implement a temporary BC First-Time New Home Buyers' Bonus. Effective February 21, 2012, to March 31, 2013, the bonus is a one-time refundable personal income tax credit worth up to \$10,000.

Requirements to Qualify for the Bonus

ELIGIBLE FIRST-TIME NEW HOME BUYER

You will qualify as a first-time new home buyer if:

- » You purchase or build an eligible new home located in B.C.;
- » You, or for couples, you and your spouse or common law partner, have never previously owned a primary residence;
- » You file a 2011 B.C. resident personal income tax return, or if you move to B.C. after December 31, 2011, you file a 2012 B.C. resident personal income tax return (***you will not be eligible for the bonus if you move to B.C. after December 31, 2012;***);
- » You are eligible for the B.C. HST New Housing Rebate; and
- » You intend to live in the home as your primary residence.

ELIGIBLE NEW HOME

An eligible new home includes new homes (i.e., newly constructed and substantially renovated homes) that are purchased from a builder and that are owner-built. The bonus will be available in respect of new homes purchased from a builder where:

- » A written agreement of purchase and sale is entered into on or after February 21, 2012;
- » HST is payable on the home (e.g., HST will generally be payable if ownership or possession of the home transfers before April 1, 2013 – see further details below); and
- » No one else has claimed a bonus in respect of the home.

The bonus will be available in respect of owner-built homes where:

- » A written agreement of purchase and sale in respect of the land and building is entered into on or after February 21, 2012;
- » Construction of the home is complete, or the home is occupied, before April 1, 2013; and
- » No one else has claimed a bonus in respect of the home.

A substantially renovated home is one where all or substantially all of the interior of a building has been removed or replaced. Generally, 90% or more of the interior of the house must be renovated to qualify as a substantially renovated home (90% test).

Amount of the Bonus

MAXIMUM AMOUNT

The bonus is equal to 5% of the purchase price of the home (or in the case of owner-built homes, 5% of the land and construction costs subject to HST) to a ***maximum of \$10,000***.

PHASE-OUT FOR HIGHER INCOME EARNERS

The bonus will be reduced based on an individual's/couple's net income (line 236 of your income tax return) using the following formula:

- » For single individuals, the bonus is reduced by 20 cents for every dollar in net income over \$150,000 (bonus is reduced to zero at \$200,000 net income).
- » For couples, the bonus is reduced by 10 cents for every dollar in family net income over \$150,000 (bonus is reduced to zero at \$250,000 family net income).

Additional Information

APPLICATION PROCESS

Individuals must apply for the bonus through the B.C. government. Individuals can apply once application forms have been posted on the B.C. Ministry of Finance website later this year. Applicants will be required to submit documentation demonstrating eligibility for the bonus.

ELIGIBLE NEW HOME

The bonus is available in respect of new homes (i.e., newly constructed and substantially renovated homes) where HST is payable. HST will generally be payable on homes purchased from a builder where ownership or possession transfer before April 1, 2013.

Potential buyers should consult with the builder to determine if the home will be subject to the HST.

For owner-built homes, the bonus will be based on land and construction costs subject to the HST. Eligible new homes will include:

- » Detached Houses, semi-detached houses, duplexes and townhouses,
- » Residential condominium units,
- » Mobile homes and floating homes, and
- » Residential units in a cooperative housing corporation.

For More Information

INCOME TAXATION BRANCH

Ministry of Finance

Province of British Columbia

Telephone: (250) 387-3332 or 1 (877) 387-3332

Email: ITBTaxQuestions@gov.bc.ca

Bonus Phase-Out for Higher Income Earners – Examples

HOME PRICE* – \$200,000 OR MORE

Family Net Income	Bonus Before Reduction	Single		Couple	
		Bonus Reduction	Actual Bonus Received	Bonus Reduction	Actual Bonus Received
\$75,000	\$10,000	(\$0)	\$10,000	(\$0)	\$10,000
\$100,000	\$10,000	(\$0)	\$10,000	(\$0)	\$10,000
\$150,000	\$10,000	(\$0)	\$10,000	(\$0)	\$10,000
\$175,000	\$10,000	(\$5,000)	\$5,000	(\$2,500)	\$7,500
\$200,000	\$10,000	(\$10,000)	\$0	(\$5,000)	\$5,000
\$225,000	\$10,000	(\$10,000)	\$0	(\$7,500)	\$2,500
\$250,000	\$10,000	(\$10,000)	\$0	(\$10,000)	\$0

HOME PRICE* – \$150,000

Family Net Income	Bonus Before Reduction	Single		Couple	
		Bonus Reduction	Actual Bonus Received	Bonus Reduction	Actual Bonus Received
\$75,000	\$7,500	(\$0)	\$7,500	(\$0)	\$7,500
\$100,000	\$7,500	(\$0)	\$7,500	(\$0)	\$7,500
\$150,000	\$7,500	(\$0)	\$7,500	(\$0)	\$7,500
\$175,000	\$7,500	(\$5,000)	\$2,500	(\$2,500)	\$5,000
\$200,000	\$7,500	(\$7,500)	\$0	(\$5,000)	\$2,500
\$225,000	\$7,500	(\$7,500)	\$0	(\$7,500)	\$0

* In the case of owner-built homes, the bonus amount will be calculated based on the land and construction costs that are subject to the HST.



HST New Housing Rebate

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Enhanced BC HST New Housing Rebate

Last update: June 15, 2012

On February 17, 2012, BC Minister of Finance Kevin Falcon announced the provincial government's intention to enhance the existing BC Harmonized Sales Tax (HST) New Housing Rebate by increasing the threshold to \$850,000 from \$525,000. The higher threshold means a higher maximum rebate of \$42,500, up from \$26,250.

These changes are effective from April 1, 2012 to March 31, 2013.

The province is expected to return to a Provincial Sales Tax/Goods and Services Tax system on April 1, 2013. The BC HST new housing rebate program will end on April 1, 2013, as the HST will no longer be in effect on and after that date.

The following questions and answers are intended to provide clarity at a high level. For advice about specific transactions and situations, BCREA suggests individuals seek legal and/or accounting advice, as appropriate.

For more information, see the Ministry of Finance HST Notice #12 at www.hstinbc.ca/media/2012_housing_rules_.pdf.

As details are finalized, this page will be updated with the latest information.

HIGHLIGHTS OF THE RETURN TO PST ANNOUNCED BY THE BC GOVERNMENT February 17, 2012.

TODAY

- For Completion Dates between NOW and April 1, 2012, the current tax (HST) still applies with the same rebate programs.

TRANSITIONAL RULES

- For Completion Dates between April 1, 2012 and April 1, 2013, transitional rules will apply. GST and PST will be charged. A PST new housing rebate will be available of 71.43% of the PST portion to a maximum of \$42,500.
- Or, in other words, if you buy a home of \$850,000 or less, you will pay the usual GST, plus PST of 2% after the rebate is taken into account.
- For homes constructed partly before April 1, 2013 and partly after April 1, 2013, there will be a mechanism for calculating which taxes and which rebates will apply.
- The transitional rules will apply to new rental housing and to new second and recreational homes outside of the Capital and Greater Vancouver Regional Districts.

NO PST AFTER APRIL 1, 2013

- For homes constructed entirely after April 1, 2013, PST will not be charged. (Note: builders will not be able to claim input tax credits for PST paid on building materials, so home prices may be adversely affected). GST will still be payable and the existing federal GST rebates programs remain in place.

Follow these links for details of the new tax programs from the Provincial Government:

http://www.pstinbc.ca/media/2012_housing_rules_FEB.pdf

http://www.pstinbc.ca/buying_goods/buying_a_home/new_home_tax_calculator

Information, strategies and opinions contained in this newsletter are provided for general information and convenience only. Since the particulars of each situation may differ and information may change rapidly, the reader should seek specific, appropriate, qualified professional advice before acting based upon any information provided by Drysdale Bacon McStravick LLP. Contact us at 604 939 8321 or at www.dbmlaw.ca for more information.

Government announces new HST/PST housing transitional rules

The government today announced the HST/PST transitional rules on new homes.

As the province transitions back to the PST, which will replace the HST effective April 1, 2013, measures to ease the HST burden on new home buyers include:

- The BC New Housing Rebate threshold will increase to \$850,000 from \$525,000, so that more than 90% of newly built homes will now be eligible for a provincial HST rebate effective April 1, 2012.
- The maximum rebate will increase to \$42,500 from \$26,250 effective April 1, 2012.
- Buyers of new secondary vacation or recreational homes outside the Greater Vancouver and Capital Regional Districts priced up to \$850,000 will now be eligible to claim a provincial grant of up to \$42,500 effective April 1, 2012.
- For newly built homes where construction begins before April 1, 2013, but ownership and possession occur after, purchasers will not pay the 7% provincial portion of the HST. Instead, purchasers will pay a temporary, transitional provincial tax of 2% on the full house price.

HST/PST transition rules will help ensure that whenever purchasers buy a new home they will all pay a consistent and equitable amount of tax, whether the home is built:

- entirely under the HST;
- entirely under the PST; or
- partly under HST and partly under the PST.

The temporary housing transition measures will be in place until March 31, 2015. The tax only applies to homes where construction begins before the transition date and ownership and possession occur after.

REBGV successfully advocated for the following:

- An increase in the threshold value of homes to be covered by the rebate;
- An increase in the rebate amount;
- An announcement of the transition rules for new homes as early as possible.

The BC Real Estate Association plans to provide Boards with a list of FAQs and draft contract language that REALTORS® can use in their listing agreements and contracts of purchase of sales contracts. We will post these on www.realtorlink.ca and in REALTORLink News.

For more information, visit the BC Ministry of Finance at: www.pstinbc.ca

To read the Ministry of Finance announcement: www.newsroom.gov.bc.ca/2012/02/transition-measures-support-new-home-buyers-builders.html

If you have questions, please contact Harriet Permut, Manager, Government Relations, at hpermut@rebgv.org.

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HST/PTT/GST – Buying a new home info & calculator

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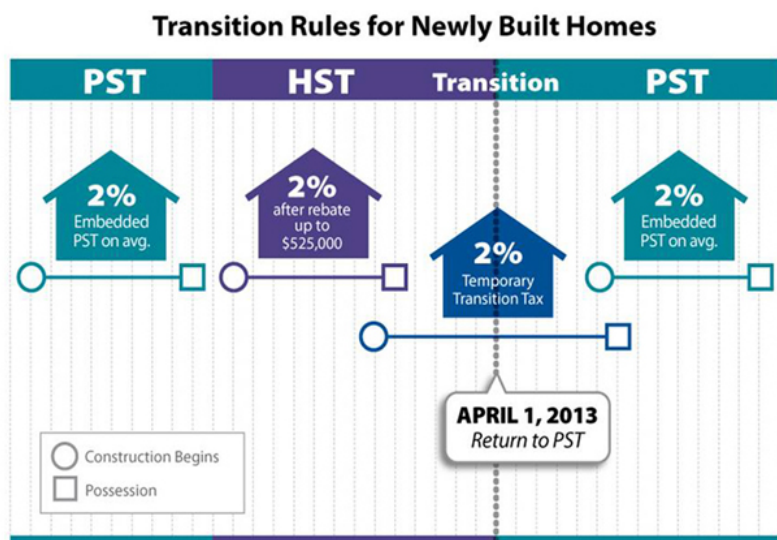
- The Government is working to bring back the PST as quickly as we responsibly can.
- An action plan has been established to ensure an effective and orderly transition back.
- The Independent Panel report released in May 2011 estimated it would take 18-24 months to complete the process.

As details are finalized this page will be updated with the latest information.

New Housing Transitional Rules

On February 17th, 2012 the Government announced the transitional rules for returning to the PST. Below you will find information as well as the detailed [tax information notice](#) on these rules.

The housing transition rules help ensure when people buy a newly constructed home under the PST, whether built entirely under the HST, entirely under the PST, or partly under HST and partly under the PST, they will all pay a consistent and equitable amount of tax. The transition rules provide certainty for new-home construction and sales, particularly during the transition period.



For newly built homes where construction begins before April 1, 2013, but ownership and possession occur after, purchasers will not pay the seven per cent provincial portion of the HST. Instead, purchasers will pay a temporary, transitional provincial tax of two per cent on the full house price. This ensures equitable treatment among purchasers and will help mitigate distortive market behaviour. Builders will receive temporary housing transition rebates to offset PST on materials to help prevent double-taxation on homebuyers.

- Average amount of embedded sales tax in newly built homes under PST: two per cent.
- Tax paid by purchasers on an \$850,000-newly built home after HST rebate: two per cent.
- Tax rate on a newly built home during transition: two per cent.

HST

BC New Housing Rebate Threshold Increased

Effective April 1, 2012

Effective April 1, 2012



The B.C. new housing rebate threshold will be increased to \$850,000, meaning more than 90 per cent of newly built homes will now be eligible for a provincial HST rebate of up to \$42,500. It is important to note that the HST does not apply to resale housing.



To help support workers and communities in B.C. that depend on residential recreational development, purchasers of new secondary vacation or recreational homes outside the Greater Vancouver and Capital regional districts priced up to \$850,000 will now be eligible to claim a provincial grant of up to \$42,500 effective April 1, 2012.

- B.C.'s portion of the HST will no longer apply to newly built homes where construction begins on or after April 1, 2013. Builders will once again pay seven per cent PST on their building materials. On average, about two per cent of the home's final price will again be embedded PST.
- The temporary housing transition measures will be in place for two years, until March 31, 2015. The tax only applies to homes where construction begins before the transition date and ownership and possession occur after.
- The temporary housing transition tax and the temporary housing transition rebates will be administered by the Canada Revenue Agency on behalf of B.C. The Province is administering the grant for new secondary vacation and recreational homes.

Tax Information Notice:

Enhanced New Housing Rebates and Transitional Rules for the Re-implementation of the British Columbia Provincial Sales Tax

More Information

If you have questions regarding eligibility requirements for the enhanced new housing rebates or new rental housing rebates or about the application of the B.C. transition tax or B.C. transition rebate, please call the Canada Revenue Agency at 1-800-959-8287 (English) and 1-800-959-8296 (French) or go to:

<http://www.fin.gc.ca/n12/12-017-eng.asp> (English)

<http://www.fin.gc.ca/n12/12-017-fra.asp> (French)

New Home Calculator (Applies only before APRIL 1, 2012)

This calculator is for new construction only BEFORE APRIL 1, 2012. For most homes bought in B.C., there is no HST because the tax does not apply to previously occupied homes.

The New Home Tax Calculator Applies at the current HST rate of 12 per cent.

Enter new home price before HST and Property Transfer tax (PTT) 0

(not including dollar sign and commas)

	HST System	PST System
Embedded PST included in new home price [What is this?]	\$0	\$0
New home price before GST/HST and PTT	\$0	\$0
+ GST / federal HST (5%)	\$0	\$0
+ Provincial HST (7%)	\$0	\$0
- Federal new housing rebate	\$0	\$0
- BC new housing rebate [What is this?]	\$0	\$0
+ Property transfer tax	\$0	\$0
Total provincial tax paid (directly and indirectly)	\$0	\$0
Total new home cost including taxes	\$0	\$0
Estimated difference in total new home cost under HST	0 %	

*** Note:** new home price (before GST/HST and PTT) is higher under the PST system than the HST system because it includes invisible PST.

New housing was not directly subject to PST - the purchaser of a newly built home did not pay PST on the purchase price. However, builders had to pay PST on most construction materials (e.g. wood, cement, plaster, nails, etc.) used to build a home. The PST was part of the cost of building the home and was included, or "embedded", in the total selling price of the home.

It is estimated based on Statistics Canada data that, under the previous PST system, the invisible PST in new homes in B.C. was, on average, equal to about 2 per cent of the price. The amount of PST invisible on a specific new home will vary (i.e. may be more or less than 2 per cent).

Unlike with the PST, under the HST there is no sales tax embedded in the price of new homes because builders, like most other businesses, can recover the HST they pay on their materials and other business inputs through input tax credits (subject to the temporary ITC restriction for large businesses).

Market forces will impact the extent to which both the savings from the removal of invisible PST and the cost of the HST are passed to consumers or absorbed by builders, and will ultimately determine home prices.

MOVING FORWARD
FAQs

INDEPENDENT PANEL

BUYING GOODS
What Has More Tax?
What Has the Same Tax?
What Has Less Tax?
Rebates and Exemptions
Buying a Home?

MANAGING YOUR HOUSEHOLD
Your Budget
Running Your Home
Lower Income British Columbians
Seniors
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Additional Information

Top 21 grants and rebates for property buyers and owners

1 Home Buyers' Plan

Qualifying home buyers can withdraw up to \$25,000 (couples can withdraw up to \$50,000) from their RRSPs for a down payment. Home buyers who have repaid their RRSP may be eligible to use the program a second time.

Canada Revenue Agency
www.cra.gc.ca. Enter 'Home Buyers' Plan' in the search box.
1.800.959.8287

2 GST Rebate on New Homes

New home buyers can apply for a rebate of the federal portion of the HST (the 5% GST) if the purchase price is less than \$350,000. The rebate is up to 36% of the GST to a maximum rebate of \$6,300. There is a proportional GST rebate for new homes costing between \$350,000 and \$450,000.

Canada Revenue Agency
www.cra-arc.gc.ca. Enter 'RC4028' in the search box.
1.800.959.8287

3 BC New Housing Rebate (HST)

Buyers of new or substantially renovated homes priced up to \$525,000 are eligible for a rebate of 71.43% of the provincial portion (7% of the 12% HST) paid to a maximum rebate of \$26,250. Homes priced at \$525,000+ are eligible for a flat rebate of \$26,250.

<http://hst.blog.gov.bc.ca/faqs/new-housing-rebate>
1.800.959.8287

4 BC New Rental Housing Rebate (HST)

Landlords buying new or substantially renovated homes are eligible for a rebate of 71.43% of the provincial portion of the HST, up to \$26,250 per unit.

<http://hst.blog.gov.bc.ca/faqs/new-housing-rebate>
1.800.959.8287



5 Property Transfer Tax (PTT) First Time Home Buyers' Program

Qualifying first-time buyers may be exempt from paying the PTT of 1% on the first \$200,000 and 2% on the remainder of the purchase price of a home priced up to \$425,000. There is a proportional exemption for homes priced up to \$450,000.

BC Ministry of Small Business and Revenue.
www.rev.gov.bc.ca/rpt
250.387.0604

6 First-time Home Buyers Tax Credit (HBTC)

This is a non-refundable income tax credit for qualifying buyers of detached, attached, apartment condominiums, mobile homes or shares in a co-operative housing corporation. It's calculated by multiplying the lowest personal income tax rate for the year (15% in 2009) by \$5,000. For 2009, the maximum credit was \$750.

Canada Revenue Agency
www.cra.gc.ca/hbtc
1.800.959.8281

7 BC Home Owner Grant

Reduces school property taxes by up to \$570 on properties with an assessed value up to \$1,050,000. For 2010, the basic grant is reduced by \$5 for each \$1,000 of value over \$1,050,000, and eliminated on homes assessed at \$1,164,000+. An additional grant reduces property tax by a further \$275 for a total of \$845 for seniors, veterans and the disabled. This is reduced by \$5 for each \$1,000 of assessed value over \$1,050,000 and eliminated on homes assessed at \$1,219,000+.

BC Ministry of Small Business and Revenue
www.rev.gov.bc.ca/hog or contact your municipal tax office.

8 BC Property Tax Deferral Programs

Property Tax Deferral Program for Seniors. Qualifying home owners aged 55+ may be eligible to defer property taxes.

Financial Hardship Property Tax Deferral Program. Qualifying low-income home owners may be eligible to defer property taxes.

Property Tax Deferral Program for Families with Children. Qualifying low-income home owners who financially support children under age 18 may be eligible to defer property taxes.

BC Ministry of Small Business and Revenue.
www.sbr.gov.bc.ca and enter 'Property tax deferral' in the search box or contact your municipal tax office.

9 Canada Mortgage and Housing (CMHC) Residential Rehabilitation Assistance Program (RRAP) Grants

This federal program provides financial aid to qualifying low-income home owners to repair substandard housing. Eligible repairs include heating, structural, electrical, plumbing and fire safety. Grants are available for seniors, persons with disabilities, owners of rental properties and for the creation of secondary and garden suites.

www.cmhc-schl.gc.ca/en/co/prfinas/prfinas_001.cfm
1.800.668.2642 | 604.873.7408

10 CMHC Mortgage Loan Insurance Premium Refund

Provides home buyers with CMHC mortgage insurance, a 10% premium refund and possible extended amortization without surcharge when buyers purchase an energy efficient home or make energy savings renovations.

www.cmhc.ca/en/co/moloin/moloin_008.cfm#reno
604.731.5733

11 LiveSmart BC: Efficiency Incentive Program

Home owners improving the energy efficiency of their homes who hire a certified energy advisor may qualify for cash incentives through this provincial program provided in partnership with Terasen Gas, BC Hydro, and FortisBC.

www.livesmartbc.ca/rebates
1.866.430.8765

Continued overleaf

Government Relations Advocacy Goal

REBGV advocacy will result in an economic and regulatory environment that supports property ownership, sustainable communities and the business of real estate.

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Top 21 grants and rebates for property buyers and owners *continued*

12 BC Residential Energy Credit

Home owners and residential landlords buying heating fuel receive a BC government point-of-sale rebate on utility bills equal to the provincial component of the HST.

<http://hst.blog.gov.bc.ca/faqs/energy-credit>
604.660.4524

13 BC Hydro Appliance Rebates

Mail-in rebates of \$25 - \$50 for purchasers of ENERGY STAR clothes washers, refrigerators, dishwashers, or freezers **between June 1, 2010 and March 31, 2011**, or when funding for the program is exhausted.

www.bchydro.com/rebates_savings/appliance_rebates.html
1.800.224.9376

14 BC Hydro Fridge Buy-Back Program

(different from Appliance rebates)
This ongoing program rebates BC Hydro customers \$30 to turn in spare fridges measuring 10 - 24 cubic feet in working condition.

www.bchydro.com/rebates_savings/fridge_buy_back.html
604.881.4357

15 BC Hydro Windows Rebate Program

Customers can save \$100 per window on BC made ENERGY STAR windows until **August 18, 2010**.

www.bchydro.com/rebates_savings/current_offers.html

16 BC Hydro Mail-in Rebates/Savings

Coupons

To save energy, BC Hydro offers rebates including 10% off an ENERGY STAR cordless phone; 50% off an E2™ dual-flush toilet; \$15 off a clothes drying rack; and 50% off Earth Massage showerheads. Check for deadlines.

http://www.bchydro.com/rebates_savings/coupons.html
1.800.224.9376



17 Terasen Gas Rebate program

A range of rebates for home owners include a \$25 gift cards for furnace servicing; \$50 rebates for upgrading a water heater; \$150 rebate on an Ener-Choice fireplace; \$1,000 rebate for switching to natural gas and installing an ENERGY STAR heating system.

www.terasengas.com/homes/Offer/LowerMainland-Squamish.html
1.888.224.2710

18 SolarBC Incentives

Contractors will provide home owners buying a solar hot water system with a \$2,000 discount at the point of sale until **December 31, 2010**.

www.solarbc.ca/learn/incentives-costs
1.866.650.6527

19 City of Vancouver Solar Homes Pilot

Offers \$3,500 (about 50% of the cost) towards the cost of a solar hot water system for anyone building new homes in Vancouver. Offered by the City of Vancouver, SolarBC, Terasen Gas and Offsetters to 50 new homes on a first come, first served basis, **January 2010 - March 2011**, with building permits issued in 2010.

<http://vancouver.ca/sustainability/SolarHomes.htm>
604.873.7748

20 RBC Energy-Saver Mortgage

Home owners who have a home energy efficient audit within 90 days of receiving an RBC Energy Saver™ Mortgage may qualify for a \$300 rebate credited to their RBC account.

www.rbcroyalbank.com/products/mortgages/energy-saver-mortgage.html
1.800.769.2511

21 Vancity Green Building Grant

In partnership with the Real Estate Foundation of BC, Vancity provides grants up to \$50,000 each to qualifying charities, not-for-profit organizations and co-operatives for building renovations/retrofits, regulatory changes that advance green building development, and education to increase the use of practical green building strategies.

<https://www.vancity.com/MyCommunity/NotForProfit/Grants/ActingOnClimateChange/GreenBuildingGrant>
604.877.7000

- 1) GST is calculated at 6% on an Purchase Agreement signed on or before October 30, 2007. Purchasers are eligible to claim a transitional rebate from Canada Revenue Agency.
- 2) GST is calculated at 5% on any Purchase Agreement signed after October 30, 2007, but on or before November 18, 2009.
- 3) HST is calculated at 12% on any Purchase Agreement signed after November 18, 2009. GST/HST New Housing Rebates apply if the Buyer qualifies (according to Purchase Price etc)

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Notary Public
Jack Chow Insurance Services
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V6A 2V4
(604) 669-7777
(604) 669-2233 Fax
Reg@jackchow.com

Approximate rental rate calculation for condos in Downtown Vancouver

- To calculate yields or rate of return on a property depends on how much money you put down & what is the purchase price? The approximate normal rental rates in Vancouver are between \$2.00 - \$2.50 per foot for unfurnished & up to \$3.00 per foot for a furnished higher end condos. Please Note: furnished condos will get you a higher yield but you will only have it rented an average of 50% of the time.

Average Maintenance Fee Calculation For Condos In Downtown Vancouver

- The average maintenance fees are approximately 35 cents per foot per month.

Average Yearly Property Tax Calculation formula for Vancouver

- For yearly taxes take the assessed value & divide it by 270 & you will get the approximate yearly taxes.

2011 Property Assessments Info incl deadlines, calculations & Contact Numbers for Area Assessors



Mission Statement

The Real Estate Board of Greater Vancouver is committed to providing its members with the structure and services necessary to serve the real estate needs of the community. In the interest of our members and the public they serve, the Board promotes a high standard of professional business practices and ethics.

The Board upholds five principles intended to advance the interest of Greater Vancouver's citizens by: protecting property owners; ensuring economic vitality; providing housing opportunities; preserving our environment; and building better communities.

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ORDER OF EXCELLENCE



GOLD RECIPIENT
QUALITY

Property owners throughout BC received their Property Assessment Notice the first week of January. This notice is BC Assessment's (BCA) estimate of a property's value as of July 1, 2010.

BC Assessment is the BC government agency responsible for determining and reporting property value estimates.

"The majority of homes in Metro Vancouver are worth more on this year's assessment roll than they were on the 2010 assessment roll," said Jason Grant, Area Assessor, Vancouver Sea to Sky region. "Most homes will see increases in the 5% to 15% range."

Throughout Metro Vancouver values have substantially increased in most areas. They're up 17.14 per cent in Richmond, 13.03 per cent in West Vancouver, 12.17 per cent in Vancouver, 12.07 per cent in Burnaby, 9.22 per cent in Delta, 9.12 per cent in Coquitlam, 9.11 per cent in New Westminster, 8.84 per cent in North Vancouver District, 8.78 in Port Coquitlam, 8.05 in North Vancouver City, and 7.58 per cent in Port Moody, 6.44 per cent in Pitt Meadows, 5.54 per cent in Maple Ridge and 1.99 per cent in Squamish.

Values decreased in Whistler by 2.06 per cent and in Pemberton by 1.87 per cent.

For specific details on changes in values, visit www.bcasessment.ca and go to Information about the 2011 roll and then the 2011 Market Movement Map.

How is property value determined?

To determine the value of the province's 1.9 million properties, BCA appraisers review lot size, house type, age, condition, views, and outbuildings such as sheds and garages.

They also look at whether the

property has a lane, is on a busy street, is new construction or has been rezoned.

Appeal an incorrect assessment

Property owners who disagree with their property assessment should do their homework by visiting www.bcasessment.ca and then e-valueBC to compare their assessment with those of their neighbours.

Property owners can phone BCA and talk to an area assessor who is authorized to make adjustments if an error is obvious, for example if BCA included a garage, when the garage had been torn down.

Area assessors' phone numbers:

- 604.739.8588 for properties in Vancouver, North Shore and Squamish.
- 604.241.1361 for properties in Richmond and South Delta.
- 604.850.5900 for properties in Pitt Meadows and Maple Ridge.
- 604.294.6441 for properties in Anmore, Belcarra, Burnaby, Coquitlam, New Westminster, Port Coquitlam and Port Moody.

Appeal details are also on the back page of each assessment notice.

Property owners who aren't satisfied with an area appraiser's response, can complete an Online Notice of Complaint (Appeal) Form available on www.bcasessment.ca. Go to For information on how to address concerns about your 2011 assessment.

The deadline to appeal is January 31, 2011.

The appeal will be heard by the Property Assessment Review Panel. If the property owner disagrees with the result, they can appeal to the Assessment Appeal Board. Appeal panels are independent of

BCA, appointed annually by the Ministry of Small Business and Revenue and meet from February 1 – March 15 to hear complaints.

BC Assessment and a REALTOR's® Assessment. Why the difference?

BCA's assessment and the market value determined by a REALTOR® may be different. Why? Where every lot and every home on a street are generally the same, both BCA's value and the REALTOR's® value will be similar during stable market conditions.

Differences occur in neighbourhoods where lots are different shapes and sizes, where each home's architecture is unique, every view is distinct and when property owners make changes such as renovations after July 1 that BCA has not yet taken into account.

Property assessment and taxation: what's the connection?

While BCA determines the assessed value of property for tax purposes, it's the local taxing authorities – both provincial and local governments – which set tax rates each spring according to budget requirements.

The formula for calculating taxes on property is:

(tax rate x assessed value / 1,000)

If the tax rate for residential property is 4.000, and property assessment is \$1 million, then the taxes payable would be \$4,000.

No notice?

If a property owner hasn't received an assessment notice by January 17, they should contact the area phone numbers listed above.

If a property owner has concerns about their taxes, they should phone their local municipal tax office.



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Ministry of Finance

Tax Bulletin



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Bulletin PTT 004

www.fin.gov.bc.ca/rev.htm

First Time Home Buyers' Program

Property Transfer Tax Act

Do you need to know if you are eligible for the property transfer tax exemption for first time home buyers?

Do you need to understand the requirements to remain eligible for this tax exemption after you purchase and register your property?

This bulletin provides specific tax information to help first time home buyers understand the eligibility requirements under the First Time Home Buyers' Program.

For general property transfer tax information, such as the types of transactions that are taxable, the rate of tax, what returns must be completed, and who must complete the return and pay the tax, please see [Bulletin PTT 001](#), *Property Transfer Tax*.

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Eligibility Requirements for the First Time Home Buyers' Program

The First Time Home Buyers' (FTHB) Program provides a property transfer tax exemption at the time title to property is transferred from one owner to an eligible first time home buyer. If you are purchasing your first home, you may qualify for this exemption if certain requirements are met. These requirements are outlined below.

Who Qualifies for the Exemption?

You qualify for the exemption if:

- you are a Canadian citizen, or a permanent resident as defined by the [Immigration and Refugee Protection Act](#) (Canada),
- you have lived in British Columbia for 12 consecutive months immediately before the date you register the property, or you have filed two income tax returns as a British Columbia resident during the 6 years before the date you register the property,
- you have never owned an interest in a principal residence anywhere in the world at any time (a principal residence is defined as the usual place where an individual lives), and
- you have never received a first time home buyers' exemption or refund.

What Property Qualifies for the Full Exemption?

The property you purchase qualifies if:

- the fair market value of the property (land plus improvements) is not more than the current threshold of **\$425,000**,
- the land is 0.5 hectares (1.24 acres) or smaller, and
- the property will only be used as your principal residence.

The current threshold amount applies to purchases registered on, or after, February 20, 2008.

Partial Exemptions

You are eligible for a partial exemption from property transfer tax under certain circumstances.

If a portion of the improvements on your land is used for commercial purposes or there is a separate dwelling on your land, only the portion that is your principle residence is eligible for the property transfer tax exemption.

If your land is larger than 0.5 hectares, only your residential improvement and 0.5 hectares of the land are eligible for the property transfer tax exemption.

If your property has a fair market value of up to \$25,000 more than the threshold amount, your property is eligible for a partial property transfer tax exemption.

For more information and examples of how partial property transfer tax exemptions are calculated, please see the *Instructions for Completion of the First Time Home Buyers' Tax Return* ([FIN 269 Guide](#)).

How do I Apply for the Exemption or Refund?

You apply for the exemption by submitting a *First Time Home Buyers' Property Transfer Tax Return* ([FIN 269](#)) and other required land title documents when you register your property at the land title office. Generally, a lawyer or notary public registers your property and applies for the exemption on your behalf. The land title office then sends your application to the ministry to verify your eligibility.

Lawyer or Notary Public

If you are a lawyer or a notary public, you can either file a paper version of the *First Time Home Buyers' Property Transfer Tax Return* ([FIN 269](#)) at the land title office or file an electronic version. To order a paper supply of the FTHB property transfer tax return, please call 250 387-2183. You can file the electronic version if you have been approved to file electronic documents at the Land Title and Survey Authority (LTSA). For more information on electronic filing, please see the [LTSA website](#).

For assistance with filing the FTHB property transfer tax return, please see the *Instructions for Completion of the First Time Home Buyers' Tax Return* ([FIN 269 Guide](#)). For assistance with filing the electronic version of the FTHB property transfer tax return, please see page 5 of the guide or contact the ministry. When filing the electronic version of the return, you must also ensure that the original paper version (blue) of the FTHB property transfer tax return has been signed by the homebuyer and is retained by your firm.

Individual Homebuyer

If you apply for the exemption yourself, you can view a sample of the *First Time Home Buyers' Property Transfer Tax Return* ([FIN 269](#)) on the ministry's website. Most law firms and notaries have supplies of the tax return, or you can obtain one from any land title office or [Service BC Centre](#). For assistance with filing the FTHB property transfer tax return, please see the *Instructions for Completion of the First Time Home Buyers' Tax Return* ([FIN 269 Guide](#)). You file the completed tax return together with the appropriate land title forms at a land title office. You must ensure that you sign the FTHB property transfer tax return before submitting it.

For assistance with completing the FTHB tax return, please contact the ministry.

Refunds

If you meet all the eligibility criteria for the exemption at the time of registration at the land title office, but you do not apply for the exemption, you may apply for a refund.

If you do not qualify for the exemption at the time of registration only because you are not yet a permanent resident of Canada, you may apply for a refund if:

- you become a permanent resident of Canada within 12 months of the date your transfer is registered at the land title office, and
- you meet all the other eligibility criteria for the exemption at the time of registration.

You must apply for a refund within 18 months of the date your property transfer is registered at the land title office. To obtain a refund application form, please contact the ministry.

Penalty for False Declaration

To ensure you are eligible, your application for the exemption or refund is reviewed to verify eligibility.

If you apply for an exemption or a refund and make a false declaration, the ministry will deny your exemption application or refund. You will be assessed a penalty in addition to the tax payable if you falsely report either of the following:

- whether you previously owned an interest in a principal residence anywhere in the world at any time, or
- whether you previously obtained a FTHB tax exemption or refund.

The penalty is equal to the amount of the exemption or refund you claimed.

Requirements During the First Year the Property is Owned

Occupancy Requirement

You need to occupy your property within 92 days of the date you register the property at the land title office and continue to use the property as your principal residence for at least one year after you register the property.

The ministry will send you a letter at the end of the first year you own the property. The letter will ask you to confirm you are still residing on the property and that it is still your principal residence.

You may still qualify for a partial exemption if you move off the property before the end of the first year.

Exceptions

In the event that your death occurs before the end of the first year you own the property, the property transfer tax exemption will continue to apply. The exemption also continues to apply if your property is transferred to another owner as a result of a court order or a separation agreement.

Construction Requirement

If your land is vacant when you purchase the property, a principle residence needs to be built on the property within one year of the registration date, and you need to live on the property for the remainder of that year to receive the full tax exemption. The fair market value of the land, plus the cost of building any improvements on the land cannot exceed the current threshold amount of **\$525,000**. However, if your property has a fair market value of up to \$25,000 more than the threshold amount, your property is eligible for a partial property transfer tax exemption.

Need more info?

Property transfer tax website: www.sbr.gov.bc.ca/individuals/Property_Taxes/Property_Transfer_Tax/ptt.htm

Telephone (Vancouver): 604 660-2421

Telephone (Victoria): 250 387-0604

Toll free in British Columbia: 1 800 663-7867 (request a transfer to 250 387-0604)

Fax: 250 953-3094

E-mail: PTTENQ@gov.bc.ca

The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation. The *Property Transfer Tax Act* and Regulations are on our website at www.sbr.gov.bc.ca/individuals/Property_Taxes/Property_Transfer_Tax/legislation.htm

References: *Property Transfer Tax Act*, Sections 4, 5–13, 13.1, 13.2, 17, 18, and Regulations 1 and 2

Administrative Steps to Claim the Exemption

Ensure all the required steps are taken when a purchaser claims the first time home buyers' exemption to avoid confusion and processing delays.

The following information highlights areas where purchasers claiming the exemption commonly make errors.

First Time Home Buyers' Property Transfer Tax Return

Any purchaser claiming this exemption must complete the tax return specifically designed for the exemption. If a computer generated tax return form is used, **it must be stapled to the back of the original blue return form.**

The *First Time Home Buyers' Property Transfer Tax Return* requires the purchaser to provide information verifying that he or she meets all the requirements for the exemption. Anyone seeking assistance when completing the FTHB tax return may contact the Property Transfer Tax office at 250 387-0604.

The purchaser must certify, by signing the return, that he or she meets all the requirements for the exemption. **Read this section carefully before signing.**

Specific Sections of the Tax Return Form

Many of the sections in the FTHB tax return are the same as those in the general and special tax returns that are also in use. However, several sections are unique to the FTHB tax return and attention should be paid to ensure they are completed correctly. The following information helps a purchaser complete sections A, B, E, F and H of the return.

Section A

Section A requires information about the person purchasing the property (the transferee). This section requires that **every purchaser acquiring an interest in the property** be identified. List the purchaser(s) who qualify for the exemption before those who do not qualify for the exemption.

The form also requires that each purchaser acquiring an interest in the property state the percentage of his or her ownership. If more space is needed to complete this section, an additional sheet may be attached.

The mailing address for the property that is being purchased must be completed in each case. If the Administrator has to contact the purchaser to confirm or obtain more information, this address is used.

Section B

Section B requires each purchaser claiming the exemption to provide information about where he or she lived for the two years immediately before the purchase. Purchasers claiming the exemption who did not reside in British Columbia for at least one year immediately prior to the purchase should complete line 3 in section G. If more space is needed, an additional sheet may be attached.

Section E

Section E requires the purchaser to provide information on the financing terms of the purchase.

Sections F and H

Section F calculates the amount of property transfer tax payable if the exemption is claimed. Section H determines the partial principal residence calculation, where it is required for section F.

Example 1 – Residential Improvements on Less than 0.5 Hectares

This example shows how to complete section F when the property purchased is less than 0.5 hectares and all improvements are residential.

Facts:

- 3 purchasers, each purchasing a 1/3 interest in the property; 2 are eligible for the exemption, therefore 66.67% of the tax is exempt
- the fair market value is \$250,000

F. Property Transfer Tax Calculation:

1. Fair market value of property	\$250,000	F1
1a. Fair market value of the interest being acquired in this transaction	\$250,000	F1a
2. Tax at 1% of the first \$200,000 reported on line F1 and 2% on the remainder	\$ 3,000	F2

3. If the size of the entire property is equal to or **less than 0.5 hectares**, and all improvements are residential, the percentage interest in the property being acquired by eligible first time home buyers claiming the exemption

$$\underline{\hspace{2cm}}\% \times F2 \quad 66.67\% \times \$3,000 \quad = \quad \$ \quad 2,000 \quad F3$$

4. If the size of the entire property **is larger than 0.5 hectares**, or if some of the improvements are not residential, complete section H below

$$\frac{\text{principal residence value (H10)}}{\text{fair market value (F1a)}} \times F2 \quad = \quad \$ \underline{\hspace{2cm}} \quad F4$$

5. If the fair market value of the entire property is greater than the applicable qualifying value (QV) (see condition 6 in the First Time Home Buyers' Instruction Guide) but less than the QV + \$25,000

$$(F3 \text{ or } F4) \times \frac{(QV + \$25,000 - F1)}{\$25,000} \quad = \quad \$ \underline{\hspace{2cm}} \quad F5$$

6. Property Transfer Tax Payable \$ 1,000 F6
(F2 minus F5 (if completed) or F3 OR F4)

Example 2 – Residential Improvements on More than 0.5 Hectares

This example shows how to complete sections F and H when the property is **larger than 0.5 hectares and all improvements are residential**. Complete section H whenever the property is larger than 0.5 hectares.

Facts:

- 3 purchasers, each purchasing a 1/3 interest in the property; 2 are eligible for the exemption, therefore 66.67% of the tax is exempt
- the property is 1.4 hectares, the land value is \$150,000, the improvement value is \$100,000, and the fair market value is \$250,000

F. Property Transfer Tax Calculation:

1. Fair market value of property \$250,000 F1
 - 1a. Fair market value of the interest being acquired in this transaction \$250,000 F1a
2. Tax at 1% of the first \$200,000 reported on line F1 and 2% on the remainder \$ 3,000 F2
3. If the size of the entire property is equal to or **less than 0.5 hectares**, and all improvements are residential, the percentage interest in the property being acquired by eligible first time home buyers claiming the exemption

$\underline{\hspace{2cm}} \% \times F2 = \$ \underline{\hspace{2cm}} F3$
4. If the size of the entire property is **larger than 0.5 hectares**, or if some of the improvements are not residential, complete section H below

$\frac{\text{Principal Residence Value (H10)}}{\text{Fair Market Value (F1a)}} \times F2$
 $\frac{\$102,386.07}{\$250,000} \times \$3,000 = \$ 1,228.63 F4$
5. If the fair market value of the entire property is greater than the applicable qualifying value (QV) (see condition 6 in the First Time Home Buyer's Instruction Guide) but less than the QV + \$25,000

$(F3 \text{ or } F4) \times \frac{(QV + \$25,000 - F1)}{\$25,000} = \$ \underline{\hspace{2cm}} F5$
6. Property Transfer Tax Payable
(F2 minus F5 (if completed) or F3 OR F4) \$ 1,771.37 F6

H. Proportional Principal Residence Calculation:

Where the property is larger than 0.5 hectares (1.24 acres), or the improvements are not entirely residential, please complete this section.

1. Value of improvements	\$100,000	H1
2. Value of land (see below)	\$150,000	H2
3. Fair market value of property (H1 plus H2 to equal F1)	\$250,000	H3
4. Size of property in hectares (see conversion factors below)	1.4	H4
5. If property is larger than 0.5 hectares, then perform the following proportional land exemption calculation:		H5
\$150,000 (H2) divided by 1.4 (H4) multiplied by 0.5 = \$53,571.43 (to H7)		
6. Value of residential improvement	\$100,000	H6
7. Land value portion eligible	\$ 53,571.43	H7
8. Value of home and land (H6 plus H7)	\$153,571.43	H8
9. Total percentage ownership being transferred to first time home buyers claiming tax exemption	66.67%	H9
10. Principal residence value (H9% of H8)	\$102,386.07	H10

Conversion Factors

To convert from square feet to hectares, multiply by .0000093

0.5 hectares = 53,819.55 square feet

To convert from acres to hectares, divide by 2.471

0.5 hectares = 1.24 acres

Example 3 – Proportional Exemption on More than 0.5 Hectares

This example shows how to complete sections F and H when the fair market value of the entire property is greater than the applicable qualifying value (QV) but less than the QV + \$25,000.

Facts:

- 2 purchasers, each purchasing a 1/2 interest in the property; 1 is eligible for the exemption, therefore 50% of the tax is exempt
- the property is 3.9 hectares, the land value is \$245,000, the improvement value is \$200,000 and is residential, and the fair market value is \$445,000

F. Property Transfer Tax Calculation:

- | | | | |
|---|-----------|-------------|-----|
| 1. Fair market value of property | \$445,000 | | F1 |
| | | | |
| 1a. Fair market value of the interest being acquired
in this transaction | \$445,000 | | F1a |
| | | | |
| 2. Tax at 1% of the first \$200,000 reported on line F1
and 2% on the remainder | \$ 6,900 | | F2 |
| | | | |
| 3. If the size of the entire property is equal to or less than 0.5 hectares , and all improvements are residential, the percentage interest in the property being acquired by eligible first time home buyers claiming the exemption | | | |
| _____ % x F2 | = | \$ _____ | F3 |
| | | | |
| 4. If the size of the entire property is larger than 0.5 hectares , or if some of the improvements are not residential, <u>complete section H</u> below | | | |
| | | | |
| Principal Residence Value (H10) x F2 | | | |
| Fair Market Value (F1a) | | | |
| <u>\$115,705.13</u> x \$6,900 | = | \$ 1,794.08 | F4 |
| 445,000 | | | |
| | | | |
| 5. If the fair market value of the entire property is greater than the applicable qualifying value (QV) (see condition 6 in the First Time Home Buyers' | | | |

Instruction Guide) but less than the QV + \$25,000

$$(F3 \text{ or } F4) \times \frac{(QV + \$25,000 - F1)}{\$25,000}$$

$$1,794.08 \times \frac{(425,000 + 25,000 - 445,000)}{25,000} = \$ 358.82 \quad F5$$

6. Property Transfer Tax Payable

(F2 minus F5 (if completed) or F3 OR F4) \$ 6,541.18 F6

H. Proportional Principal Residence Calculation:

Where the property is larger than 0.5 hectares (1.24 acres), or the improvements are not entirely residential, please complete this section.

1. Value of improvements	\$200,000	H1
2. Value of land (see below)	\$245,000	H2
3. Fair market value of property (H1 plus H2 to equal F1)	\$445,000	H3
4. Size of property in hectares (see conversion factors below)	3.9	H4
5. If property is larger than 0.5 hectares, then perform the following proportional land exemption calculation:		H5
\$245,000 (H2) divided by 3.9 (H4) multiplied by 0.5 = \$31,410.26 (to H7)		
6. Value of residential improvement	\$200,000	H6
7. Land value portion eligible	\$ 31,410.26	H7
8. Value of home and land (H6 plus H7)	\$231,410.26	H8
9. Total percentage ownership being transferred to first time home buyers claiming tax exemption	50.00%	H9

10. Principal residence value (H9% of H8)	\$115,705.13	H10	
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Conversion Factors

To convert from square feet to hectares, multiply by .0000093

0.5 hectares = 53,819.55 square feet

To convert from acres to hectares, divide by 2.471

0.5 hectares = 1.24 acres

Example 4 – Proportional Exemption on Less than 0.5 Hectares

This example shows how to complete section F when the fair market value of the entire property is greater than the applicable qualifying value (QV) but less than the QV + \$25,000.

Facts:

- 2 purchasers, each purchasing a 1/2 interest in the property; 1 is eligible for the exemption, therefore 50% of the tax is exempt
- the property is 0.5 hectares, the improvement is residential, and the fair market value is \$445,000

F. Property Transfer Tax Calculation:

1. Fair market value of property	\$445,000	F1	
1a. Fair market value of the interest being acquired in this transaction	\$445,000	F1a	
2. Tax at 1% of the first \$200,000 reported on line F1 and 2% on the remainder	\$ 6,900	F2	
3. If the size of the entire property is equal to or less than 0.5 hectares , and all improvements are residential, the percentage interest in the property being acquired by eligible first time home buyers claiming the exemption			
_____ % x F2 50% x \$6,900	=	\$ 3,450	F3

4. If the size of the entire property is **larger than 0.5**

hectares, or if some of the improvements are not residential, complete section H below

Principal Residence Value (H10) x F2 = \$_____ F4
Fair Market Value (F1a)

5. If the fair market value of the entire property is greater than the applicable qualifying value (QV) (see condition 6 in the First Time Home Buyers' Instruction Guide) but less than the QV + \$25,000

$$(F3 \text{ or } F4) \times \frac{(QV + \$25,000 - F1)}{\$25,000}$$

$$3,450 \times \frac{(425,000 + 25,000 - 445,000)}{25,000} = \$690.00 \quad F5$$

6. Property Transfer Tax Payable
(F2 minus F5 (if completed) or F3 OR F4) **\$6,210.00** F6

Need more info?

Telephone (Vancouver): 604 660-2421

Telephone (Victoria): 250 387-0604

Toll free in Canada: 1 800 663-7867 (request a transfer to 250 387-0604)

E-mail: PTTENQ@gov.bc.ca

The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation. The *Property Transfer Tax Act* and Regulations are on our website at www.sbr.gov.bc.ca/individuals/Property_Taxes/property_taxes.htm

H.S.T. on Unique Properties on Website

Does H.S.T. apply to vacation properties?

Yes!

If an individual purchases a **new** vacation property (including a substantially renovated property) that is to be used as a place of residence for that individual **or** lodging for individuals then it will generally be taxable. A **new** vacation property is one where there has been no occupancy as a place of residence or lodging before the purchase.

If an individual purchases a previously occupied vacation property, regardless of the type of prior use, H.S.T. will be payable if:

- 1) the Vendor has claimed input tax credit (“ITC”) for the H.S.T. paid or payable on the last acquisition of the property; or
- 2) the property has not been used primarily (more than 50%) as the Vendor’s place of residence and all or substantially all (90% or more) of the rentals of the property have been for periods of less than 60 days (for example, the property is included in a rental pool in a hotel-type establishment); or
- 3) the Vendor has used the property primarily for rental income or in making taxable short-term rentals.

If an individual purchases a previously occupied vacation property that was used by the Vendor and their family, was never rented out and the Vendor did not claim an ITC when the Vendor bought the vacation property, then H.S.T. will not be payable.

If an individual intends to purchase a vacation property for the purpose of making taxable short-term rentals, whether as part of a rental pool or otherwise, then they can register for H.S.T. prior to the purchase. If the individual is a registrant at the time the vacation property is purchased, an ITC may be available to offset some or all of the H.S.T. payable on the purchase of the property. On completion, the buyer would sign the applicable H.S.T. form confirming to the Vendor that they are a registrant and that they will account for any H.S.T. payable arising from the purchase. The Purchaser would not then need to

pay the H.S.T. to the Vendor but rather would claim an ITC on their first H.S.T. return.

The Purchaser may claim a full ITC for the H.S.T. payable on the purchase of the vacation property where the property is purchased for use exclusively ((90% or more) in making taxable short-term rentals with minimal personal use. If the Purchaser subsequently changes the use to personal use, then they may be required to account for the H.S.T. in respect of this change in use. An individual who purchases a vacation property for use 50% or more, but less than 90%, in making taxable short-term rentals, may be entitled to claim an ITC for a portion of the H.S.T. payable on the purchase.

As a Purchaser of a **new** vacation property will typically not occupy the home as a principal residence or rent it out for 12 months or more to one tenant as their principal residence, neither the GST and BC New Housing Rebates nor the GST and BC New Residential Rental Rebates will be available.

Does H.S.T. apply to new mobile homes and floating homes?

Yes, for a purchase of a newly constructed or substantially renovated mobile home or floating home, 12% H.S.T. will apply on the purchase price of the mobile home or floating home but the Purchaser will be able to claim the various rebates, as applicable.

Does H.S.T. apply to the sale of vacant land by an individual?

Maybe (how is that for a definitive answer!!). Examples of when H.S.T. would be applicable include: 1) the sale of land that is capital property that had been used primarily in a business; 2) the sale of land in the course of a business; and 3) the sale of a parcel of land created by subdividing another parcel into more than two parts. The sale of land by an individual that had been kept for personal use would be exempt from H.S.T.

What is the B.C. PST Transitional Rebate?

An individual who buys a new or substantially renovated residential home may be entitled to claim a B.C. PST Transitional New Housing Rebate where the construction of the home straddled the July 1, 2010 H.S.T. implementation date and H.S.T. is payable on the purchase. The construction must have been at least 10% complete as of July 1, 2010 and the builder must certify the degree of completion of the construction as of July 1, 2010. The individual will be able to obtain the rebate from the builder or C.C.R.A. Generally, individuals/builders will have until July 1, 2014 to claim the rebate. Please note the PST Transitional New Housing Rebate is not available to individuals who buy mobile homes, floating homes or **residential condominiums**.

The rebate will be calculated based on the degree of completion of the construction of the housing as of July 1, 2010. If it was 90% or more complete, there would be a 100% rebate of the estimated PST embedded in the housing. If it was 75 to 89% complete, there would be a 90% rebate; for 50% to 74% completion, the rebate would be 75%; for 25% to 49% completion, the rebate would be 50%; and for 10% to 24% completion, the rebate would be 25%. There will be no rebate if it was less than 10% complete as of July 1, 2010. To determine the amount of PST embedded in the housing you have to choose one of 2 methods:

- 1) floor space methods: the total square metres of floor space completed in the housing multiplied by \$60.00; or
- 2) the consideration or fair market value method: 2% of the total consideration paid for the housing or, in certain situations, 2% of the fair market value of the housing.

Example:

An individual is buying for \$350,000 a newly constructed single detached home to live in which is at least 90% complete as of July 1, 2010. The contract was entered into after November 18, 2009 and completion and possession dates are July 2, 2010 and July 3, 2010 respectively. As a result, H.S.T. is payable at 12% of \$350,000 which equals \$42,000. The individual can claim a PST transitional new housing rebate of \$7,000 (using the consideration or fair market value method, $350,000 \times 2\% \times 100\%$), a B.C. new housing rebate of \$17,500 ($350,000 \times 7\% \times 71.43\%$) and a G.S.T. new housing rebate of \$6,300 ($350,000 \times 5\% \times 36\%$).

It should be noted that some builders have already adjusted the purchase price in the Contract with the PST Transitional Rebate and have inserted a clause in the Contract that states the Purchaser will assign their right to the PST Transitional Rebate to the builder and provide the signed rebate form on completion.

Where can I obtain more H.S.T. information?

For more information on H.S.T. see www.rev.gov.B.C..ca and/or phone Ministry of Finance at 1-877-388-4440 and see www.cra-arc.gc.ca/gncy/hrmnztn and/or phone the C.C.R.A. line 1-800-959 5525 or 1-800-959 8287 specifically for questions about transitional rules and H.S.T. rebates.