

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