



TAXATION NEWS

ENHANCED GST REBATE ON NEW PURPOSE BUILT RENTAL PROPERTIES

On September 14, 2023 the Department of Finance announced an enhanced GST New Residential Rental Property rebate for new residential rental construction. With the intent to incentivize builders to build more rental housing, the Department of Finance is proposing to increase the GST Rental Rebate from 36 percent to 100 percent.



BACKGROUND ON GST NEW RESIDENTIAL RENTAL PROPERTY REBATE

In Canada, either the landlord pays GST on the purchase of a new residential rental property, or if self-constructed by the landlord, the landlord incurs a “self-supply”. On a self-supply the landlord must self-assess and pay GST on the fair market value of the property. Previously, a rebate equal to 36% of the GST paid on the purchase or self-supply was available to landlords.

However, the legislation contains thresholds where the rebate is ground down if the fair market value of the unit is between \$350,000 and \$450,000. If the value of the unit is above \$450,000 no rebate is available. These thresholds have not changed since they were introduced in 2001.

Proposed Changes to the GST New Residential Rental Property Rebate

The following is a summary of the expected changes to the GST New Residential Rental Property Rebate:

- Finance is not revoking the self-supply GST rule. Rather, they are increasing the existing GST rebate from 36% to 100%. Builders must still report the liability for the applicable GST when the building is completed. But if they simultaneously file the rebate form, the rebate fully offsets the tax payment liability.
- The Enhanced GST Rebate only applies to buildings with at least:
 - Four private apartment units or at least 10 private rooms or suites (ie a 10 unit residence for seniors, students, or people with disabilities); and
 - 90% of the units are designated for long-term rental.
- Builders who build a single family home, duplexes, or triplexes would not qualify for the enhanced GST Rebate, however the existing rebate may still be applicable.
- The Enhanced Rebate only applies to projects that begin construction on or after September 14, 2023. No details were provided as to when construction might be considered to begin for purposes of the proposed rules.
- The Enhanced GST New Residential Rental Property Rebate will not apply to substantial renovations of existing residential complexes.
- Construction must begin before December 31, 2030 and complete before December 31, 2035.
- All other conditions under the existing rebate rule in the Excise Tax Act must be met, including that the landlord reasonably expects the tenant will be present for at least one year using the unit as their primary place of residence.

Currently, the enhanced GST rebate is only in respect of the 5% GST and not the provincial portion of the HST in Ontario and Atlantic provinces. The draft legislation released does not provide further details on what “begins construction” means in the context of the enhanced rebate. Along with whether Ontario and the Atlantic provinces will extend the enhancements to the provincial portion of the HST.

