

The Bottom Line On HST and Real Estate
Stephen Dupuis
08 July 2010

The HST on new homes is actually more complicated for builders than it is for buyers, particularly until homes and condos under construction as of July 1 work their way through the system.

From a homebuyer standpoint, given that virtually every builder will be including HST in the sales prices of the home or condo, it's really about comparing builder to builder and new homes to resale homes.

That said, while you might assume that, since the federal GST is five per cent and the provincial PST is eight per cent, the federal tax on your new home would be much less than the provincial tax. The truth is it's the other way around. On a \$400,000 new home, the feds pocket \$14,372 while Ontario's share is \$7,561 after the applicable rebates.

The difference in the above example is that the federal government's new housing rebate is just 36 per cent of the GST payable to a maximum of \$6,300, while Ontario's rebate is 75 per cent to a maximum of \$24,000.

Under the GST, the rebate also gets clawed-back on homes priced at more than \$350,000 and as soon as the price hits \$450,000, the rebate disappears. That's right — if you buy a \$450,000 house in Ontario, you get a \$24,000 provincial rebate from the province while you get zero from Ottawa.

The other big difference between the federal and provincial approaches to taxing new homes is that Ontario only charges the maximum tax rate on the price increment over the \$400,000 threshold whereas the feds charge the full rate on the full price as soon as you hit \$450,001.

It's a shame that federal Finance Minister Jim Flaherty didn't seize the opportunity created by sales tax harmonization to align with Ontario. It's time for Ottawa to take action to adopt the same graduated tax approach and threshold across the country, federally and provincially, indexed on a go-forward basis.

– Stephen Dupuis is president and CEO of the Building Industry and Land Development Association (BILD). He can be reached at president@bildgta.ca.

Metro Canada