

# Ministry of Finance

## *Tax Information Notice*



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HST Notice # 13

[www.fin.gov.bc.ca/rev.htm](http://www.fin.gov.bc.ca/rev.htm)

## Grant for Purchasers of New Residential Housing Used as a Secondary or Recreational Residence

The Province will provide a grant to purchasers of new residential housing purchased for use as a secondary or recreational residence where the provincial component of the HST becomes payable and is paid on such homes **on or after April 1, 2012 and before April 1, 2013**.<sup>1</sup> The grant will be available with respect to newly constructed or substantially renovated homes where the home is located in a qualifying area of the province (outside the Capital Regional District and the Greater Vancouver Regional District) and is purchased or constructed for use as a secondary or recreational residence.

The grant will be equivalent to the B.C. new housing rebates provided with respect to purchases of new residential housing used as a primary residence<sup>2</sup>. As a result, purchasers of new residential housing<sup>3</sup> used as a secondary or recreational residence in qualifying areas with a purchase price of up to \$850,000 will be entitled to receive a grant equal to 71.43 per cent of the provincial component of the HST paid up to a maximum of \$42,500. Purchasers of new residential housing used as a secondary or recreational residence in qualifying areas with a purchase price of \$850,000 and above will be entitled to the maximum grant of \$42,500.

Unlike the B.C. new housing rebates available for new residential housing purchased for use as a primary residence, which are federally administered, purchasers of new secondary and recreational residences are required to apply for the grant directly to the Ministry of Finance after the HST has been paid on qualifying housing.

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<sup>1</sup> For sales of real property (e.g., new housing), the provincial component of the HST becomes payable on the earlier of the day on which ownership is transferred to the recipient and the day on which possession of the property is transferred to the recipient. However, where the property supplied is a residential condominium unit in a condominium complex which has not, at the time possession is transferred, been registered as a condominium, tax is not payable until ownership of the unit is transferred or, if earlier, 60 days following the day the condominium complex is registered as a condominium.

<sup>2</sup> For information on B.C. new housing rebates for purchases of new residential housing used as a primary residence, please see [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca)

<sup>3</sup> For the purposes of this Notice, "new residential housing" or "new home" refers to residential housing that is newly constructed or substantially renovated.

This Notice provides information on the grant with respect to specific types of qualifying housing.

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### Definitions

**Qualifying area** means areas within British Columbia which are outside the Capital Regional District and the Greater Vancouver Regional District.

**Secondary or recreational residence** means qualifying housing that is a non-primary residence used for vacationing or secondary living purposes by the individual <sup>4</sup> (non business) owner(s) or qualifying relation of the owner(s) of the property, but does not include homes which are the primary residence of any of the owners or homes that will be used for commercial purposes (i.e., vacation rentals, small business) by an owner who is an HST registrant that can claim input tax credits for the HST paid on the home.

Unless otherwise stated or the circumstances otherwise require, the definitions and concepts in the *Excise Tax Act* (ETA) apply to the information in this Notice. For convenience, some of these definitions and concepts have been provided below.

**Primary Residence** – generally means a house that is owned, jointly or otherwise, and that a person lives in or intends to live in on a permanent basis.

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<sup>4</sup> As defined in the *Excise Tax Act* for the purposes of the new housing rebates.

**Qualifying housing** includes single-unit homes, residential condominium units and duplexes. A single-unit home refers to a detached home, a semi-detached home and an attached home that may also contain an accessory suite. A duplex refers to a single titled property that contains two separate single-unit homes. Qualifying housing would generally include the following types of newly constructed and substantially renovated homes used as a secondary or recreational residence:

- new homes purchased together with land;
- new homes purchased together with leased land;
- new mobile homes and floating homes;
- new homes acquired through the purchase of qualifying shares in a housing co-op; and
- homes newly constructed or substantially renovated by the owner who is an individual (i.e., owner-built housing).

**Relation** – of an individual means another individual related to the first individual by blood, marriage, common-law partnership, or adoption within the meaning of the *Income Tax Act*. Blood relation is limited to parents, children, or other descendants or siblings. Marriage relation includes a spouse or a person who is connected to the spouse by blood or adoption. For purposes of the grant, a relation can also be your former spouse, or a former common-law partner.

**Substantial completion** – generally means that construction or substantial renovation of a house is at a stage where an individual can reasonably inhabit the premises. Minor repairs, adjustments, or outstanding upgrades are not considered to impair the use and enjoyment of the house as a place of residence.

**Substantial renovation** – the renovation or alteration of a building to such an extent that all or substantially all of the building that existed immediately before the renovation or alteration was begun, other than the foundation, external walls, interior supporting walls, floors, roof and staircases, has been removed or replaced where, after completion of the renovation or alteration, the building is, or forms part of, a residence.

## **Qualifying Purchases**

### **Purchases of new secondary or recreational residences together with land**

A grant is available for purchasers of new homes, including single-unit houses, residential condominium units and duplexes together with land from a builder where the home is in a qualifying area and is purchased by an individual for use as a

secondary or recreational residence of the individual or a relation of the individual and on which HST becomes payable and is paid on or after April 1, 2012 and before April 1, 2013.

The grant will equal 71.43 per cent of the provincial component of the HST paid for the home, up to a maximum grant of \$42,500. There will be no phase-out of the grant, such that new homes priced above \$850,000 will qualify for the maximum grant of \$42,500.

Applications for the grant must be received by the Ministry within 6 months of the payment of the HST and prior to October 1, 2013.

### **Purchases of new secondary or recreational residences together with leased land**

A grant is available for purchasers of new single-unit houses or duplexes purchased together with leased land from a builder where the home is in a qualifying area and is purchased by an individual for use as a secondary or recreational residence of the individual or a relation of the individual.

In these circumstances, a builder may be considered to have made a sale and re-purchase of the housing (i.e., self supply) and will, under the ETA, be required to self-assess and pay the HST on the self-supply.<sup>5</sup> As a result, the HST generally will be embedded in the price paid by the purchaser for the new home together with the leased land. Where the **builder** is required to pay and has paid HST on a self-supply on or after April 1, 2012 and before April 1, 2013, the **purchaser** will be entitled to claim the grant.

The grant available to the purchaser will be 4.47 per cent of the price attributable to the building, up to a maximum grant of \$42,500. There will be no phase-out of this grant such that homes priced above \$952,000 (i.e., \$850,000 plus 12 per cent embedded HST) will qualify for the maximum grant of \$42,500.

Applications for the grant must be received by the Ministry within 6 months of the date on which the purchaser takes ownership or possession (whichever is earlier) of the home and prior to October 1, 2013.

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<sup>5</sup> The housing becomes taxable under the self-supply rules at the later of the time of substantial completion of the construction or substantial renovation and the time of transfer of possession under the agreement.

## **Purchases of new mobile homes and floating homes for use as a secondary or recreational residence**

A grant is available for purchasers of new mobile homes and floating homes where the home is purchased by an individual for use as a secondary or recreational residence of the individual or a relation of the individual, provided the home is permanently located in a qualifying area and the HST becomes payable and is paid on the home on or after April 1, 2012 and before April 1, 2013. For purposes of the grant a mobile home includes certain modular homes.<sup>6</sup>

The grant will equal 71.43 per cent of the provincial component of the HST paid for qualifying mobile and floating homes, up to a maximum grant of \$42,500. There will be no phase-out of the grant, such that new homes priced above \$850,000 will qualify for the maximum grant of \$42,500.

Where a mobile home is purchased and placed on a site in a residential trailer park, or a floating home is purchased and docked at a moorage facility, the grant will be calculated based on the provincial component of the HST paid on the purchase of the mobile home or floating home only, as the case may be, not the HST that was paid, if any, on the site or moorage.

Where the mobile home and the land on which the mobile home is placed are purchased together, the grant will be based on the purchase price of the mobile home together with the land – see the “Purchases of new secondary or recreational residences together with land” section above.

Where the mobile home is purchased together with leased land (other than a site in a residential trailer park) the grant for the purchase of houses on leased land will apply – see the “Purchases of new secondary or recreational residences together with leased land” section above.

Where only the mobile home is purchased (e.g., to attach the mobile home to land owned by the individual), the individual purchaser will claim the grant for owner-built housing – see the “Owner-built secondary or recreational residences” section below.

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<sup>6</sup> Modular homes are considered mobile homes for purposes of the grant provided they meet certain criteria including that the manufacture or assembly of the modular home is substantially completed prior to being moved to a site. For more detailed information refer to GST/HST Policy Statement P-223 – *Meaning of manufacture or assembly of which is completed or substantially completed in the definition of mobile home* at [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca).

Applications for the grant must be received by the Ministry within 6 months of the payment of the HST and prior to October 1, 2013.

### **Purchases of qualifying shares in a housing co-op for use as a secondary or recreational residence**

A grant is available for purchasers of a qualifying share in a cooperative housing corporation (housing co-op) located in a qualifying area if the share is purchased by an individual for the purpose of using a residential unit in a new cooperative housing complex as a secondary or recreational residence of the individual or a relation of the individual.

Under the ETA, the housing co-op will be required to pay the HST on the purchase of the new housing complex or will be required to self-assess and pay the HST under the self-supply rules where the housing complex is constructed or substantially renovated by the housing co-op. As a result, the HST will generally be embedded in the price paid by the purchaser for the qualifying share in the housing co-op.

Where the housing co-op is required to pay and has paid HST on the purchase of the housing complex on or after April 1, 2012 and before April 1, 2013 or is required to self assess and pay and has paid HST under the self-supply rules on or after April 1, 2012 and before April 1, 2013, the purchaser of the share will be eligible for the grant.

The grant will be 4.47 per cent of the price paid for the qualifying share in the housing co-op, up to a maximum grant amount of \$42,500. There will be no phase-out of this grant such that qualifying shares priced above \$952,000 (i.e., \$850,000 plus 12 per cent embedded HST) will qualify for the maximum grant of \$42,500.

Applications for the grant must be received by the Ministry within 6 months of the purchase of the share and prior to October 1, 2013.

### **Owner-built secondary or recreational residences**

A grant is available for owner-built housing where an individual newly constructs or substantially renovates a secondary or recreational residence of the individual or a relation of the individual or where that individual hires another person to do such new construction or substantial renovation. The grant for owner-built homes will be available where the home is located in a qualifying area and new construction or substantial renovation of the home becomes substantially complete on or after

April 1, 2012. The maximum grant will depend on whether the individual paid the provincial component of the HST on the land.

### **Provincial component of HST paid on land**

For owner-built secondary or recreational residences where the HST was paid on the land by the owner, the owner will be entitled to a grant equal to 71.43 per cent of the provincial component of the HST paid on qualifying construction expenses (including land), up to a maximum grant of \$42,500. There will be no phase out of the grant such that owner-built homes with qualifying construction expenses over \$850,000 will qualify for the maximum grant of \$42,500.

### **No provincial component of HST paid on land**

Where the provincial component of the HST was not paid on the land by the owner, the owner will be entitled to a grant equal to 71.43 per cent of the provincial component of the HST paid on qualifying construction expenses (which would not include land), up to a maximum grant of \$28,475 (i.e., 67 per cent of \$42,500).

Applications for the grant must be received by the Ministry within 6 months of substantial completion of the home and prior to October 1, 2013.

### **Application Process**

Information on the application process and the application form is under development and will be available on or before April 1, 2012 at [www.fin.gov.bc.ca/rev.htm](http://www.fin.gov.bc.ca/rev.htm)

### **Further Information**

If you have any questions, please call us toll-free at 1 877 388-4440, or e-mail your questions to [CTBTaxQuestions@gov.bc.ca](mailto:CTBTaxQuestions@gov.bc.ca)