

HST REBATE

When you purchase a pre-construction condo, you often come across the statement “Prices include H.S.T.”, while this is a true statement, there is a deeper meaning to it and requires different actions from condo end-users and investors. We know that HST is 13% in Ontario and it should be broken down into 2 portions: **1) the Non-Rebatable Portion and 2) the Rebatable Portion**. The non-rebatable portion is approximately 5.2% of the net purchase price and the rebatable portion is approximately 7.8% of the net purchase price, for a total of 13% HST.

How are the portions calculated?

$$\text{Net Purchase Price} = \text{Purchase Price} - \text{Non-Rebatable Portion of HST}$$

The net purchase price is calculated using a set of formulas from the CRA depending on the range that the purchase price falls into. Let's do an example:

$$\text{Purchase Price} = \$319,400$$

$$\text{Net Purchase Price} = \$319,400 / 1.052 \text{ (CRA formula)} = \$303,612.17$$

$$\text{Total HST} = \text{Net Purchase Price} * 13\% = \$39,469.58$$

$$\text{Non-Rebatable Portion of HST} = \text{Purchase Price} - \text{Net Purchase Price} = \$15,787.83$$

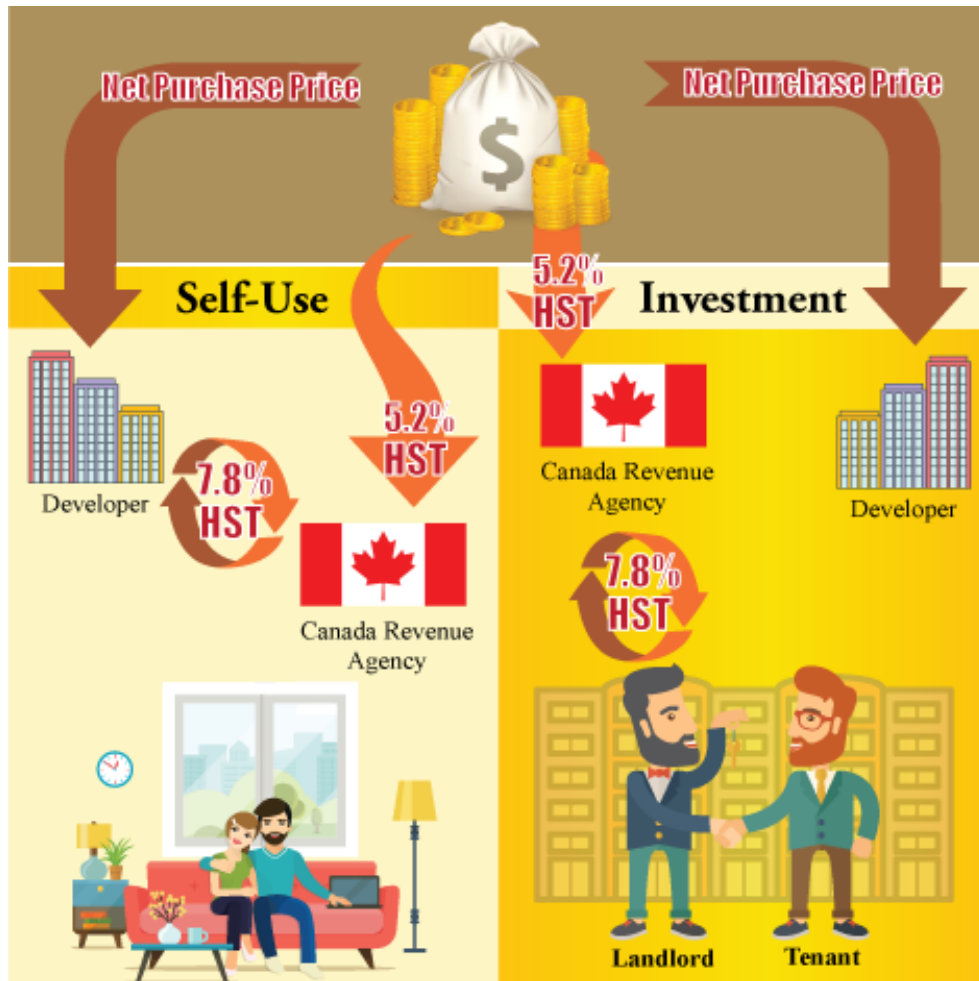
$$\text{Rebatable Portion of HST} = \text{Total HST} - \text{Non-Rebatable Portion of HST} = \$23,681.75$$

This means that when we purchase a condo of purchase price of \$319,400 from a developer, the price has already included \$15,787.83 of HST, which is the non-rebatable portion of the HST.

Who can be qualified to claim the Rebatable Portion?

- **An End-User** who lives in the new condo unit as his/her primary residence – in this case, the developer will claim the Rebatable Portion from the government on behalf of the end user. In other words, if you're an end-user, the rebate process will be transparent to you, you simply pay the purchase price and the developer will take care of the HST rebate for you.
- **An Investor** who rented out his/her new condo unit to a tenant with a **minimum 1 year lease** – in this case, the investor would have to pre-pay the Rebatable Portion of the HST on final closing and then file the HST rebate application to the CRA to claim it back. You can expect to get the full amount back as rebate, but you need to be aware of an exception: if the CRA decides that the market value of your condo is much higher than the price you paid when you bought it from the developer, you would be getting a few thousand dollars less in rebate. CRA comes up with the market value based on market research, there is not much you can do to dispute it. However, this is a good problem to have, as it means that your investment has appreciated significantly. **The expected time to receive your rebate cheque from the CRA should be 6-8 weeks.** The following information will be required for filing the rebate application:
 - A copy of the final closing statement of adjustments from your lawyer
 - A copy of the 1-year lease agreement with your tenant(s)
 - The original purchase date on your agreement of purchase and sale
 - The occupancy date of your unit (i.e. the date you receive the keys)

- The S.I.N # of all purchasers
- Phone number of the primary purchaser (the person who wants to be the main contact for the rebate)
- Mailing address of the primary purchaser



What is the purpose of this rebate process?

Essentially, you just pre-pay the HST and get the rebate back, so what's the point of this rebate process? The purpose is to discourage condo flippers. If you flip your condo (sell it within 1 year of final closing), then you are NOT qualified to claim the rebate. We also believe that a healthy condo investment should be to buy and hold.

Is there a time limit to file the HST rebate?

You have up to 2 years from the final closing date to file the HST rebate.

What is the charge for filling out the HST rebate application?

Our fee for filling out the HST rebate application is \$250+HST.