



The HST Blog

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Should University Students Buy New Houses? The Canada Revenue Agency Does Not Think So



The Canada Revenue Agency (CRA) has implemented a policy to deny GST/HST new housing rebates when the claimant resells the newly built house quickly after taking possession. Pursuant to subsection 254(2) of the *Excise Tax Act* (Canada) the CRA considers the following preconditions (along with other preconditions) before granting a rebate of a portion of the GST/HST paid acquiring the new home:

- a builder of a single unit residential complex or a residential condominium unit makes a taxable supply by way of sale of the complex or unit to a particular individual,
- at the time the particular individual becomes liable or assumes liability under an agreement of purchase and sale of the complex or unit entered into between the builder and the particular individual, the **particular individual is acquiring the complex or unit for use as the primary place of residence of the particular individual or a relation of the particular individual**,
- the total (in this subsection referred to as the “total consideration”) of all amounts, each of which is the consideration payable for the supply to the particular individual of the complex or unit or for any other taxable supply to the particular individual of an interest in the complex or unit, is less than \$450,000.

The CRA is denying the new property residential rebates claimed by many buyers of new homes (sometimes via the builder) on the basis that the individual did not acquire the residential complex and the individual's primary place of residence. In other words, the CRA takes the position that if you sell a property shortly after taking possession, you never intended the property to be your primary place of residence. In other words, the CRA takes the position that every person who takes possession and sells shortly thereafter must have purchased the new home with the intention to flip the house/condo.

When speaking with the CRA, I was informed that a client's new residential rebate was denied because he/she was a graduate student at the time that he/she signed the agreement of purchase and sale. The CRA

appeals officer indicated to me that the CRA's position is that it is unreasonable for an individual (student) to enter into a commitment to purchase a home when the person does not have steady income. Even when the person is about to graduate, they should not expect to have a steady income (as they could lose their job).

I am sharing the CRA's position - but, do not agree with it. What do you think of the CRA's position - but do not shoot the messenger.

Comments (0) Read through and enter the discussion with the form at the end

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