



## Harmonized Sales Tax for Prince Edward Island (P.E.I.) – Questions and Answers on Transitional Rules for Housing and Other Real Property Situated in P.E.I.

The 2012 Prince Edward Island Budget proposed a harmonized sales tax (HST), which, subject to approval by the P.E.I. Legislative Assembly, would come into effect on April 1, 2013 and be administered by the Canada Revenue Agency (CRA).

This publication provides questions and answers that reflect the proposed tax changes as announced in the 2012 P.E.I. Budget, and in P.E.I.'s Revenue Tax Guide RTG185, *Implementation of the Harmonized Sales Tax in Prince Edward Island*, issued by the Government of P.E.I. on November 8, 2012.

Any commentary in this publication should not be taken as a statement by the CRA that these proposed changes will be enacted in their current form.

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### Residential real property

For purposes of this document, the word "house" means both the building and land portions of the house, unless otherwise specified. In applying the arm's length test in this notice, aunts and uncles would be considered to be related to their nieces and nephews. A specified related party is any person who is not dealing at arm's length with, or who is a person associated with, the original builder. The term "associated" is defined in section 127 of the *Excise Tax Act*.

La version française de la présente publication est intitulée *Taxe de vente harmonisée de l'Île-du-Prince-Édouard – Questions et réponses sur les règles transitoires visant les habitations et autres immeubles situés à l'Île-du-Prince-Édouard*.



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## **General**

### **1. What is the current P.E.I. provincial sales tax (PST) treatment for new housing?**

Information relating to the application of the PST in P.E.I. is available online at [www.taxandland.pe.ca](http://www.taxandland.pe.ca). You may also contact the Government of P.E.I.'s Taxation and Property Records Division at 902-368-4171 for more information on the current application of the PST.

### **2. What is the proposed treatment for sales of residential housing in P.E.I. under a harmonized sales tax (HST)?**

The HST at 14%, composed of a federal part at 5% and a provincial part at 9%, would apply to a builder's sale of a newly constructed or substantially renovated residential complex, including a multiple unit residential complex (e.g., an apartment building). The sale of housing that has been previously occupied by an individual as a place of residence and that is exempt from GST would also be exempt for purposes of the HST. The definitions in the *Excise Tax Act* that relate to housing (e.g., builder, residential complex, residential unit, residential condominium unit, substantial renovation) and the CRA's current policies regarding the application of the GST to housing would generally apply under the HST.

### **3. I am selling my house and the sale is exempt from GST. If the closing date for the sale of my house is after March 2013, would the sale of the house be exempt under the HST?**

Yes. The sale of your previously occupied house would be exempt under the HST and you would not be required to charge or collect the HST.

### **4. I am a builder and I am registered for GST/HST purposes. I currently claim input tax credits (ITCs) for the 5% GST that I pay on the lumber I purchase to build new houses. Would I be able to claim ITCs for the 14% HST paid on lumber purchased after March 2013?**

Yes. You would be able to claim an ITC for the 14% HST paid on your purchase of lumber and other construction materials that you use to construct new housing.

## **Application of the HST to new housing**

### **5. When would the HST apply to a sale of a residential complex?**

Generally, the HST would apply to a builder's taxable supply by way of sale of a newly constructed or substantially renovated residential complex where both ownership and possession of the complex are transferred to the purchaser under the agreement for the supply after March 2013. If either ownership or possession is transferred to the purchaser before April 2013, the HST would not apply.

This general rule applies to sales of all housing types, including residential condominium units, mobile homes and floating homes. An exception exists for certain types of housing if, among other conditions, a written agreement of purchase and sale was entered into on or before November 8, 2012 (see the section entitled "Grandparented sales of housing").

The HST would generally be payable on the earlier of the day ownership or possession of the residential complex is transferred to the purchaser. In the case of a residential condominium unit, if possession of the unit is transferred before the condominium has been registered under the *Condominium Act*, the HST would generally become payable on the earlier of the day ownership of the unit is transferred or the day that is 60 days following the date of registration of the condominium.

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**6. A builder and a purchaser enter into a written agreement of purchase and sale in January 2013 for a newly constructed house. The agreement provides that ownership and possession of the house will transfer to the purchaser on April 14, 2013. Would the HST apply to the sale?**

Yes. Since the written agreement of purchase and sale is entered into after November 8, 2012, and both ownership and possession of the house transfer to the purchaser after March 2013, the 14% HST would apply to the sale. If the construction of the house is at least 10% completed as of April 1, 2013, the purchaser would be entitled to claim a PST transitional new housing rebate (see the section entitled “Provincial sales tax (PST) transitional new housing rebates”). The purchaser may also be entitled to claim a GST/HST new housing rebate in respect of the federal part of the HST paid on the purchase of the house.

**7. When would the HST not apply to a sale of a newly constructed or substantially renovated residential complex?**

Generally, the HST would not apply to a builder’s taxable supply by way of sale of a newly constructed or substantially renovated residential complex where either ownership or possession of the complex is transferred, under a written agreement of purchase and sale, to the purchaser before April 2013, regardless of when the purchase and sale agreement was entered into. However, GST at 5% would apply. The purchaser may be entitled to claim a GST/HST new housing rebate in respect of the GST paid on the purchase of the complex.

The HST would also not apply if the sale of the newly constructed or substantially renovated residential complex is grandparented (see the section entitled “Grandparented sales of housing”). However, GST at 5% would apply to the grandparented sale of a complex. The purchaser may be entitled to claim a GST/HST new housing rebate in respect of the GST paid on the purchase of the complex.

**8. A builder and a purchaser enter into a written agreement of purchase and sale on December 3, 2012 for a newly constructed house. The agreement provides that ownership and possession of the house will transfer to the purchaser in February 2013. Would the HST apply to the sale?**

No. If ownership or possession (or both) of the house transfers to the purchaser according to the written agreement before April 2013, the HST would not apply, regardless of when the purchase and sale agreement was entered into. However, the GST at 5% would apply to the sale of the house. The purchaser may be entitled to claim a GST/HST new housing rebate in respect of the GST paid on the purchase of the house.

**9. I entered into a written agreement of purchase and sale for a newly constructed house with a builder on September 5, 2012. I take ownership and possession of the house, in accordance with the agreement, in March 2013. Would the HST apply to the sale?**

No. If ownership or possession (or both) of the house transfers to you in accordance with the written agreement before April 2013, the HST would not apply, regardless of when the purchase and sale agreement was entered into. However, the GST at 5% would apply to the sale of the house. You may be entitled to claim a GST/HST new housing rebate in respect of the GST paid on the purchase of the house.

**10. I entered into a written agreement of purchase and sale in January 2013 for a newly constructed residential condominium unit. The agreement provides that possession of the unit will transfer to me in March 2013 but ownership will only be transferred after March 2013, following the registration of the condominium complex. Would the HST apply to the sale?**

No. If ownership or possession (or both) of the residential condominium unit transfers to you in accordance with the written agreement before April 2013, the HST would not apply. However, the GST at 5% would apply to the sale of the residential condominium unit. You may be entitled to claim a GST/HST new housing rebate in respect of the GST paid on the purchase of the unit.

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## **Grandparented sales of housing**

### **11. What is a grandparented sale of a house?**

Where a written agreement of purchase and sale for a newly constructed or substantially renovated detached house, semi-detached house, attached house, residential condominium unit or condominium complex was entered into on or before November 8, 2012, the sale would generally be grandparented if both ownership and possession of the housing transfer to the purchaser, under the agreement, after March 2013. In this case, the provincial part of the HST would not be payable on the sale and only the federal part of the HST would apply, i.e., the sale would be subject to the GST at 5%. In the case of a detached house, semi-detached house or attached house, the purchaser must be an individual in order for the grandparenting rule to apply. In the case of residential condominiums, the grandparenting rule would apply to all purchasers, including individuals.

While a grandparented sale of housing is not subject to the HST, the builder would be required to remit a transitional tax adjustment if the construction straddles the April 1, 2013 implementation date and the construction is less than 90% completed as of April 1, 2013. The transitional tax adjustment is intended to approximate the amount of the PST that would have been paid in respect of the construction costs incurred after March 2013 (the section entitled “Transitional tax adjustment for houses and residential condominiums”).

For information on the assignment of a purchase and sale agreement for a grandparented house, see the section entitled “Assignment of purchase and sale agreements for grandparented housing”.

For information on first resellers of grandparented housing, see the section entitled “Resales of grandparented housing – sale of housing purchased on a grandparented basis by a first reseller”.

### **12. Are there any exceptions to the grandparenting rule?**

Yes. For example, newly constructed or substantially renovated houses built by owners for their personal use, as well as duplexes, traditional apartment buildings, co-op rental buildings, mobile homes and floating homes would not be grandparented under the transitional rules for purchases of new housing, as the transitional rules would apply differently to such housing.

Modular homes are considered to be mobile homes for GST/HST purposes 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, *The Meaning of "Manufacture and Assembly of Which is Completed or Substantially Completed" in the Definition of "Mobile Home"*.

Reference should also be made to the sections entitled “Assignment of purchase and sale agreements for grandparented housing” and “Resales of grandparented housing – sale of housing purchased on a grandparented basis by a first reseller”.

### **13. I entered into a written agreement of purchase and sale for a new house with a builder on August 1, 2012. I take ownership and possession of the house, in accordance with the agreement, in July 2013. Would the 14% HST apply to the sale?**

Generally, no. The purchase of the house would normally be grandparented since the written agreement of purchase and sale was entered into on or before November 8, 2012 and both ownership and possession of the house are transferred after March 2013. However, the sale of the house would be subject to the GST at 5%. You may be entitled to claim a GST/HST new housing rebate in respect of the GST paid on the purchase of the house.

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**14. I am a builder and I am registered for GST/HST purposes. I am constructing a house whose sale would be grandparented and the construction of this house straddles the April 1, 2013 implementation date for the HST. Would I be able to claim ITCs for the HST paid on lumber and other construction materials purchased after March 31, 2013 that will be used to complete the construction of this grandparented house?**

Yes. Even if the sale of the house would normally be grandparented, you would be entitled to claim ITCs for the 14% HST paid on the lumber and other construction materials used in the construction. If the construction of the house is less than 90% completed as of April 1, 2013, you would be required to account for a transitional tax adjustment in calculating your net tax remittance (see the section entitled “Transitional tax adjustment for houses and residential condominiums”).

**15. After entering into a written agreement of purchase and sale on July 31, 2012 for a newly constructed house, the purchaser requests that upgrades be made to the house. Ownership and possession of the house will transfer to the purchaser under the agreement on May 1, 2013. Would the HST apply to the additional amount payable for the upgrades?**

Upgrades to a house generally result in modifications to the existing agreement such that the upgrades form part of the written agreement for the purchase and sale of the house. In such a case, the tax applicable to the purchase of the house would prevail. In this case, since a written agreement of purchase and sale was entered into on or before November 8, 2012, and ownership and possession will transfer to the purchaser after March 2013, the HST would not apply. However, the GST at 5% would apply on the total amount payable for the house, including the amount payable for the upgrades.

Where an existing agreement of purchase and sale is modified, varied or otherwise materially altered to such an extent that it is considered to be a new agreement, the application of the transitional rules will be based on the date that the new agreement is entered into.

If a purchaser and a builder renegotiate the terms of a written agreement of purchase and sale for new housing that was entered into on or before November 8, 2012, and enter into a new agreement after November 8, 2012, the transitional rules would apply based on the date that the new agreement was entered into.

**16. A purchaser and a builder enter into a written agreement of purchase and sale for a newly constructed house on November 2, 2012 for a house that is to be built on lot 22. On December 30, 2012, the purchaser and the builder renegotiate the terms of the agreement on, such that the house will now be built on lot 8 as opposed to lot 22. Ownership and possession of the house will transfer to the purchaser under this new agreement on April 10, 2013. Would the HST apply to the sale of the house?**

Yes. The 14% HST would apply to the sale of the house since the written agreement of purchase and sale for the house is entered into after November 8, 2012, and both ownership and possession are transferred after March 2013. The transitional rules would apply based on the new agreement entered into on December 30, 2012 in respect of the house to be constructed on lot 8.

### **Assignment of purchase and sale agreements for grandparented housing**

**17. A builder (referred to as the “original builder”) and a purchaser enter into a written agreement of purchase and sale for a newly constructed residential condominium unit on May 18, 2012. In accordance with the agreement of purchase and sale for the condominium unit, ownership and possession of the unit will transfer to the purchaser on July 15, 2013. Would the HST apply to the sale of the condominium unit if the purchaser assigns its rights under the agreement to a third party?**

Generally, no. Where a written agreement of purchase and sale for grandparented housing is assigned to a third party (assignee), the housing will remain grandparented provided that the assignee receives

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ownership and possession of the grandparented housing from the original builder, under the agreement with the original builder, after March 2013 and:

- there is no novation<sup>1</sup> of the agreement;
- the purchaser and the original builder are dealing at arm's length and are not associated; and
- the original builder or a specified related party does not acquire or reacquire by way of sale any legal or beneficial interest in the housing.

Where all of the above conditions are met, the sale of the residential condominium unit from the original builder to the assignee would be grandparented since the written agreement of purchase and sale was entered into on or before November 8, 2012 and both ownership and possession of the condominium unit are transferred after March 2013. As such, the HST would not apply. However, the sale of the condominium unit would be subject to the GST at 5%. The third party, if an individual, may be entitled to claim a GST/HST new housing rebate in respect of the GST paid on the purchase of the house.

**18. After entering into a written agreement of purchase and sale on May 1, 2012 for a newly constructed house with a builder (referred to as the "original builder"), the purchaser, who is an individual, assigns its rights under the purchase and sale agreement to an unrelated third party (assignee) for \$10,000 on December 15, 2012. In accordance with the agreement of purchase and sale for the house, ownership and possession of the house will transfer to the assignee from the original builder on April 15, 2013. There is no novation of the agreement. The original builder and the purchaser are not associated and are dealing at arm's length. Would the assignee be required to pay the HST on the purchase of the house? Would the assignee be required to pay the HST to the purchaser on the \$10,000 paid in accordance with the assignment agreement entered into on December 15, 2012?**

The sale of the house by the original builder would remain grandparented since the conditions for grandparenting when there is an assignment of a purchase and sale agreement are met, and the written agreement of purchase and sale was entered into on or before November 8, 2012 with both ownership and possession of the house being transferred after March 2013. As such, the HST would not apply on the purchase of the house from the original builder. However, the sale of the house would be subject to the GST at 5%. The assignee, if an individual, may be entitled to claim a GST/HST new housing rebate in respect of the GST paid on the purchase of the house.

The \$10,000 paid under the assignment agreement is consideration paid for an interest in the house supplied by the purchaser to the assignee. For GST/HST purposes, the supply of an interest in real property is a supply of real property.

If the purchaser is a builder for GST/HST purposes, the supply would be subject to the GST/HST. However, since ownership of the interest transfers to the purchaser under the assignment agreement on December 15, 2012, the HST would not apply in any event. The GST at 5% would apply to the \$10,000 paid to the purchaser if the purchaser is a builder for GST/HST purposes. If the assignee is an individual and eligible to claim a GST/HST new housing rebate in respect of the purchase of the house, the assignee can include in an application that they file directly with the CRA the tax paid in respect of the assignment. The consideration payable for the assignment must be included in determining the consideration for the house for purposes of the GST/HST new housing rebate.

If the purchaser is not a builder for GST/HST purposes, the supply would not be subject to the GST/HST. For more information on whether an individual who makes an assignment of an agreement of purchase and sale is a builder for GST/HST purposes, see GST/HST Info Sheet GI-120, *Assignment of a Purchase and Sale Agreement for a New House or Condominium Unit*.

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<sup>1</sup> For more information on novations, contact GST/HST Rulings at 1-800-959-8287.

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## **Resales of grandparented housing – sale of housing purchased on a grandparented basis by a first reseller**

### **19. Would the taxable resale of newly constructed or substantially renovated housing, which was purchased on a grandparented basis, be subject to the HST?**

Generally, yes. Where the written agreement of purchase and sale for the taxable resale of the newly constructed or substantially renovated housing is entered into after November 8, 2012, and ownership and possession of the housing transfer after March 31, 2013, the resale would be subject to the HST. However, if the written agreement of purchase and sale for the resale of the housing is entered into on or before November 8, 2012, and ownership and possession of the housing transfer after March 2013, the resale would be grandparented.

### **20. Who is a first reseller of housing?**

A first reseller of newly constructed or substantially renovated housing is the first purchaser to:

- have entered into a grandparented sales agreement for the housing for the primary purpose of reselling the housing;
- have received possession of the housing from the original builder under the grandparented agreement of purchase and sale; and
- resell the housing under an agreement of purchase and sale entered into after November 8, 2012 (i.e., an agreement of purchase and sale that is not grandparented).

### **21. A builder and a purchaser, who is a first reseller, enter into a written agreement of purchase and sale for a newly constructed residential condominium unit on May 18, 2012. In accordance with the agreement of purchase and sale for the condominium unit, ownership and possession of the unit transfer to the first reseller on May 1, 2013. If the first reseller, under a written agreement of purchase and sale, transfers ownership and possession of the unit to another purchaser on June 1, 2013, would the HST apply to the sale of the unit by the first reseller?**

If the written agreement of purchase and sale between the first reseller and the other purchaser was entered into after November 8, 2012, HST would apply to the sale. If the written agreement of purchase and sale between the first reseller and the other purchaser was entered into on or before November 8, 2012, the HST would not apply to the sale and the GST would apply to the sale.

### **22. Where the HST applies to the sale of a house by a first reseller where the house was purchased on a grandparented basis by the first reseller, would the first reseller be entitled to claim an ITC or a rebate to recover the transitional tax adjustment (discussed later in this notice) and/or PST that may be embedded in the amount paid by the first reseller to purchase the house?**

Yes. Where the HST applies to the sale of the house by the first reseller, the first reseller would be entitled to claim an ITC or a rebate equal to 4.5% of the consideration paid by the first reseller on their grandparented purchase of the house. The amount of the ITC or rebate represents the estimated PST and/or the transitional tax adjustment embedded in the price paid by the first reseller to purchase the house. Generally, the first reseller would be entitled to claim an ITC where the first reseller is a GST/HST registrant.

If entitled to claim a rebate for 4.5% of the consideration, the first reseller would claim that rebate on a new rebate application form that will be available on the CRA Web site by April 1, 2013. If entitled to claim an ITC equal to 4.5% of the consideration, the first reseller would claim the amount on their GST/HST return.

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The first reseller would also be entitled to claim an ITC or a rebate for the 5% GST it paid on the purchase of the housing. If entitled to a rebate for the 5% GST, the reseller would claim that rebate using Form GST189, *General Application for Rebate of GST/HST*. See Guide RC4033, *General Application for GST/HST Rebates*, for more information.

**23. A builder (referred to as the “original builder”) and a purchaser who is an individual enter into a written agreement of purchase and sale for a newly constructed house on October 18, 2012 for consideration of \$375,000 (i.e., excluding GST/HST). The purchaser is registered for GST/HST and acquires the house solely for the purpose of reselling it. In accordance with the agreement of purchase and sale for the house, ownership and possession of the house transfer from the original builder to the purchaser on April 15, 2013. On July 20, 2013, the purchaser enters into a written agreement of purchase and sale for the resale of the house for \$415,000 and transfers both ownership and possession under that agreement on July 25, 2013. The house has not been occupied by an individual. Would the resale of the house be subject to the HST?**

Yes. The purchaser is a first reseller of the house, the written agreement of purchase and sale in respect of the resale is entered into after November 8, 2012 and, under the written agreement of purchase and sale, both ownership and possession of the house transfer to the purchaser after March 2013. As such, the resale of the house by the first reseller would be subject to the 14% HST.

Given that the resale of the house by the first reseller would be subject to the HST, the first reseller would be entitled to claim an ITC equal to \$16,875 (i.e., 4.5% of \$375,000, which is the consideration paid to the original builder on their grandparented sale of the house to the first reseller).

The first reseller would also be able to claim an ITC for the 5% GST paid on the purchase of the house from the original builder as the first reseller acquires the house in the course of a commercial activity (i.e., for the purpose of making a taxable sale of the house).

## ***New housing rebates***

**24. Would a new housing rebate be available for the provincial part of the HST?**

The P.E.I.’s Revenue Tax Guide RTG185, *Implementation of the Harmonized Sales Tax in Prince Edward Island*, contains no provisions for a new housing rebate for the provincial part of the HST.

**25. Would I still be able to claim a GST/HST new housing rebate for the federal part of the HST paid on the acquisition of a new or substantially renovated house from a builder?**

Provided that you meet all of the conditions for claiming the GST/HST new housing rebate, you would be entitled to claim a rebate in respect of the federal part of the HST paid on the purchase of the house.

## ***Provincial sales tax (PST) transitional new housing rebates***

**26. Under what circumstances would a purchaser be entitled to claim a PST transitional new housing rebate?**

An individual who purchases a newly constructed or substantially renovated house would be entitled to claim a PST transitional new housing rebate where the construction or substantial renovation of the house straddles the April 1, 2013 implementation date and the HST is payable on the purchase (i.e., the sale of the house is not grandparented and both ownership and possession of the house transfer to the individual after March 2013). See question 27 for the types of housing for which an individual would be entitled to claim a rebate. For the purchaser to be eligible to claim this rebate, the construction or substantial renovation of the house must be at least 10% completed as of April 1, 2013, and the builder must certify the degree of completion of the construction or substantial renovation as of April 1, 2013.



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The individual would be able to obtain the rebate from the builder or from the CRA. The rebate application for the PST transitional new housing rebate will be available on the CRA Web site by April 1, 2013. Where the rebate application is submitted to the builder, the builder would be required to attach a valid provincial letter of good standing to the rebate application when the builder submits the application to the CRA. See answer to question 28 for more information with respect to the provincial letter of good standing.

In some cases, builders would be entitled to claim a PST transitional new housing rebate (see answer to question 28).

**27. Which types of housing qualify for the PST transitional new housing rebate that would be available to purchasers who are individuals?**

An individual who purchases a newly constructed or substantially renovated single detached house, semi-detached house, attached house (row house) or duplex (in each case, the individual must purchase both the building and land portions of the housing) would be entitled to claim a PST transitional new housing rebate where the construction or substantial renovation of the housing straddles the April 1, 2013 implementation date and the HST is payable on the purchase (i.e., the sale of the housing cannot be grandparented; see the section entitled “Grandparented sales of housing”). The construction or substantial renovation of the housing must be at least 10% completed as of April 1, 2013. A PST transitional new housing rebate would not be available to purchasers of mobile homes, floating homes and residential condominiums. Also, a PST transitional new housing rebate would not be available for owner-built homes.

**28. Under what circumstances would a builder be entitled to claim a PST transitional new housing rebate?**

A builder of newly constructed or substantially renovated rental housing, such as a single detached house, semi-detached house, attached house (row house), duplex, residential condominium unit, traditional apartment building, an addition to an apartment building or a long-term care facility that is similar to a traditional apartment building, may be entitled to claim a PST transitional new housing rebate where the construction or substantial renovation of the housing straddles the April 1, 2013 implementation date and the HST is payable in respect of a self-supply of the housing. (For more information on self-supplies of housing, see the section entitled “Application of the HST to new rental housing”). The construction or substantial renovation of the housing must be at least 10% completed as of April 1, 2013 in order to be entitled to claim this rebate.

A builder of a newly constructed or substantially renovated residential condominium unit or complex may also be entitled to claim a PST transitional new housing rebate if the builder sells the condominium unit or complex where the builder is required to pay the transitional tax adjustment in respect of the unit or complex or the sale of the unit or complex is subject to the HST (see the section entitled “Transitional tax adjustment for houses and residential condominiums”).

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### ***Provincial letter of good standing***

As a condition of obtaining a PST transitional new housing rebate, a builder would be required to attach a valid provincial letter of good standing to their first rebate application and file the application with the CRA. A provincial letter of good standing would be obtained by submitting an “Application for Letter of Good Standing” to the following:

Taxation and Property Records Division  
Department of Finance, Energy and Municipal Affairs  
P.O. Box 1330  
Charlottetown, PE C1A 7N1  
Telephone: 902-368-4171  
Fax: 902-368-6164  
Web site: [www.taxandland.pe.ca](http://www.taxandland.pe.ca)

The letter of good standing would be issued where the builder has no outstanding provincial debts and would generally be valid for one year from the date of issuance unless revoked by the Province. The letter of good standing would be used by the CRA to process subsequent PST transitional new housing rebate applications filed by the builder provided that the letter of good standing remains valid and has not been revoked. The Province would notify the CRA and the builder if it revokes a letter of good standing. Where a letter of good standing is no longer valid, a builder would be required to attach a new letter of good standing to any subsequent rebate application filed with the CRA.

### **29. How would the PST transitional new housing rebate be calculated?**

The PST transitional new housing rebate would be based on the estimated PST embedded in the housing and the degree of completion of the construction or substantial renovation of the housing as of the April 1, 2013 implementation date (i.e., at 12:01 a.m. on April 1, 2013). With respect to housing that is 90% or more completed as of April 1, 2013, there would be a 100% rebate of the estimated PST embedded in the housing. No rebate would be available where the housing is less than 10% completed as of April 1, 2013.

The PST transitional new housing rebate would be calculated as follows:

<b>Degree of completion of the housing as of April 1, 2013</b>	<b>% of estimated PST that would be rebated</b>
Less than 10%	0%
Equal to or greater than 10% and less than 25%	25%
Equal to or greater than 25% and less than 50%	50%
Equal to or greater than 50% and less than 75%	75%
Equal to or greater than 75% and less than 90%	90%
Equal to or greater than 90%	100%

### **30. How would I determine the degree of completion of the construction or substantial renovation of housing as of April 1, 2013 for purposes of the PST transitional new housing rebate?**

The method used to determine the percentage of completion as of April 1, 2013 must be fair and reasonable. Methods for determining the degree of completion of housing are set out in GST/HST Info Sheet GI-105, *How to Determine the Percentage of Completion for Purposes of the Provincial Transitional New Housing Rebates and the Transitional Tax Adjustment in Ontario and British Columbia*. These methods would also apply for purposes of housing in P.E.I.

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**31. How would I determine the amount of the estimated PST embedded in the housing?**

The estimated PST embedded in the housing would be calculated by choosing one of the following two methods:

- the floor space method – the total square metres of floor space completed in the housing multiplied by \$60; or
- the consideration or fair market value method – 4.5% of the total consideration paid for the housing or, in certain situations, 4.5% of the fair market value of the housing.

**32. A newly constructed single detached house is 90% or more completed as of April 1, 2013. The written agreement of purchase and sale for the house is entered into after November 8, 2012, and the agreement provides that both ownership and possession will transfer after March 2013 to the purchaser who is an individual. As a result, the HST would apply to the sale of the house. Would the individual purchasing the house be entitled to claim a PST transitional new housing rebate and a GST/HST new housing rebate in respect of the federal part of the HST?**

Yes, provided that all of the conditions for claiming each rebate are met. For a house with a purchase price of \$350,000 (excluding the HST and any rebates), the individual would pay the HST at 14%, i.e., \$49,000 ( $\$350,000 \times 14\%$ ). The individual would be entitled to claim a PST transitional new housing rebate of \$15,750 (using the consideration or fair market value method, i.e.,  $\$350,000 \times 4.5\% \times 100\%$ ) and a GST/HST new housing rebate of \$6,300 ( $\$350,000 \times 5\% \times 36\%$ ), provided that all of the conditions for claiming each rebate are met.

For the PST transitional new housing rebate, there would be no restriction that limits the rebate to situations where the house is purchased for use as the primary place of residence of the individual or a relation of the individual, as in the case of the GST/HST new housing rebate.

**33. A newly constructed single detached house is 80% completed as of April 1, 2013. An individual enters into a written agreement of purchase and sale for the house after November 8, 2012, and the agreement provides that both ownership and possession will transfer to the individual after March 2013. As a result, the HST would apply to the sale of the house. The individual is purchasing the house for the purpose of renting it to a third party. Would the individual purchasing the house be entitled to claim both a PST transitional new housing rebate and a GST/HST new residential rental property rebate in respect of the federal part of the HST?**

Yes, provided that all of the conditions for claiming each rebate are met.

Where all of the conditions are met, the individual would be entitled to claim the PST transitional new housing rebate whether the house was acquired for the purpose of rental, resale or personal use. The individual would be entitled to claim a PST transitional new housing rebate of \$12,150 (using the consideration or fair market value method, i.e.,  $\$300,000 \times 4.5\% \times 90\%$ ).

For the GST/HST new residential rental property rebate, if the individual meets all of the conditions for claiming the rebate, the individual can claim that rebate with respect to the federal part of the HST. For a house with a purchase price of \$300,000 (excluding the HST and any rebates), the individual would pay the HST at 14%, i.e., \$42,000 ( $\$300,000 \times 14\%$ ). Assuming the house contains a single qualifying residential unit, a GST/HST new residential rental property rebate of \$5,400 ( $\$300,000 \times 5\% \times 36\%$ ) would be available.

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**34. A newly constructed single detached house is 70% completed as of April 1, 2013. A corporation enters into a written agreement of purchase and sale for the house after November 8, 2012, and the agreement provides that both ownership and possession will transfer to the corporation after March 2013. As a result, the HST would apply to the sale of the house. The corporation is not a builder of the house. Would the corporation be entitled to claim the PST transitional new housing rebate?**

No, the PST transitional new housing rebate would not be available to the corporation. Only individuals and certain builders would be entitled to claim a PST transitional new housing rebate in respect of a single detached house, provided that all of the other conditions for claiming the rebate are met.

**35. A newly constructed single detached house is 75% completed as of April 1, 2013, and the written agreement of purchase and sale for the house was entered into on or before November 8, 2012. In accordance with the agreement, ownership and possession of the house will transfer to the purchaser, who is an individual, after March 2013. Would the purchaser be entitled to claim a PST transitional new housing rebate and a GST/HST new housing rebate in respect of the federal part of the HST?**

If the sale of the house is grandparented (see the section entitled “Grandparented sales of housing”), the HST would not apply to the sale of the house and the purchaser of the house would not be entitled to claim a PST transitional new housing rebate. However, the sale would be subject to the GST at 5% and the purchaser would be entitled to claim a GST/HST new housing rebate in respect of the GST paid at 5% provided that all of the conditions for claiming the rebate are met.

**36. I am the builder of an apartment building. Possession of an apartment in the building is given to an individual, who is the first to occupy a unit in the building as a place of residence, after the construction or substantial renovation is substantially completed after March 2013. Construction of the apartment building is 40% completed as of April 1, 2013. The fair market value of the apartment building (building and land) at the time of the self-supply is \$1,500,000. Based on the consideration or fair market value method, what would be the amount of the PST transitional new housing rebate that I would be entitled to claim?**

The amount of the PST transitional new housing rebate for the apartment building would be calculated as follows:

fair market value of the apartment building (building and land) at the time of  
self-supply  $\times$  4.5%  $\times$  50%

where:

- 4.5% is used where the rebate is based on the consideration or fair market value method; and
- 50% is the estimated PST based on the degree of completion (40%) for the complex as of April 1, 2013 (i.e., equal to or greater than 25% and less than 50%, as per the table in question 29).

The rebate amount would therefore be \$33,750 ( $\$1,500,000 \times 4.5\% \times 50\%$ ).

**37. I entered into a written agreement of purchase and sale with a builder in January 2013 for a newly constructed residential condominium unit. I will occupy the condominium unit as my primary place of residence. I take possession of the unit, in accordance with the agreement, in March 2014 and ownership in May 2014. Would I be entitled to claim the PST transitional new housing rebate?**

No. For residential condominium units, the PST transitional new housing rebate would only be available to the builder of the condominium complex. Note that you may be entitled to claim a GST/HST new housing rebate in respect of the federal part of the HST payable on the sale if all of the conditions for claiming the rebate are met.

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### **38. When would the PST transitional new housing rebate be available?**

A purchaser cannot claim a provincial transitional new housing rebate before the day that the HST becomes payable on the purchase of the house, which is the earlier of the day ownership of the housing is transferred to the purchaser and the day possession of the housing is transferred to the purchaser under the written agreement of purchase and sale. The rebate would have to be filed before April 1, 2017.

Generally, builders using the floor space method would be able to file a rebate application with the CRA after March 2013. Builders of detached housing, semi-detached housing or attached housing that are entitled to claim the rebate would not be able to file a rebate application before the day they are considered to have paid the HST in respect of a self-supply of the housing. Builders using the consideration method would be entitled to file a rebate application with the CRA no earlier than the day the HST is payable, or the day the HST is considered to be paid in the case of a self-supply. In the case of a builder who would be required to remit the transitional tax adjustment in respect of a condominium unit or complex, a claimant using the consideration method would be entitled to file a rebate application with the CRA no earlier than the day the federal part of the HST would be payable on the sale of the housing. With either method, the rebate would generally have to be filed before April 1, 2017.

Where a builder is unable to file the rebate application by April 1, 2017 due to extenuating circumstances (such as a delay in completing the sale of the housing), the builder would be able to file a request for an extension of the time to file the rebate application. The request must be made in writing and received by the CRA before April 1, 2017.

The rebate application for the PST transitional new housing rebate will be available on the CRA Web site by April 1, 2013.

## ***Transitional tax adjustment for houses and residential condominiums***

### **39. What is the transitional tax adjustment?**

The transitional tax adjustment would apply to grandparented sales of detached houses, semi-detached houses, attached houses, residential condominium units and condominium complexes. Given that the provincial part of the HST would not apply to grandparented housing, the transitional tax adjustment is intended to approximate the amount of tax that would have been paid in respect of such housing under the PST regime where the construction of the housing straddles the April 1, 2013 implementation date. The transitional tax adjustment would be considered to be collected by the builder (though not actually collected from anyone) and would be included by the builder on its GST/HST return. The GST/HST return would have to be filed electronically in such circumstances. For more information on the electronic filing of returns, see GST/HST Info Sheets GI-099, *Builders and Electronic Filing Requirements*, and GI-118, *Builders and GST/HST Netfile*, which will be updated to include changes for P.E.I.

### **40. What type of housing would be subject to the transitional tax adjustment?**

The transitional tax adjustment would apply to grandparented sales of newly constructed or substantially renovated detached houses, semi-detached houses, attached houses, residential condominium units and condominium complexes, i.e., for which a written agreement of purchase and sale was entered into on or before November 8, 2012 and both ownership and possession are transferred to the purchaser, in accordance with the agreement, after March 2013.

For housing other than residential condominium units or condominium complexes, the transitional tax adjustment would apply if the housing is less than 90% completed as of April 1, 2013.

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The transitional tax adjustment would not apply to sales of traditional apartment buildings, duplexes, mobile homes and floating homes.

**41. Can a builder claim an ITC for the transitional tax adjustment?**

No. Where a builder sells a house on a grandparented basis to an individual and would be required to account for the transitional tax adjustment in its GST/HST return, the builder would not be entitled to claim an ITC for the amount of the transitional tax adjustment.

**42. How would the transitional tax adjustment be calculated for a house where the sale is grandparented?**

The transitional tax adjustment for a grandparented sale of a newly constructed or substantially renovated single unit house (other than a residential condominium unit or a condominium complex; see question 48 for the calculation for residential condominiums) would be based on the total consideration payable for the house, as determined for GST purposes, and the degree of completion of the construction or substantial renovation of the house as of April 1, 2013. Because there is a greater element of embedded PST in the price of a house whose construction or substantial renovation is completed to a greater degree as of April 1, 2013, the transitional tax adjustment rate decreases as the degree of completion increases.

The following chart provides the different rates of the transitional tax adjustment for various degrees of completion of the construction or substantial renovation of the house as of the April 1, 2013 implementation date (i.e., at 12:01 a.m. on April 1, 2013).

**Transitional tax adjustment for a house (other than a condominium complex or a residential condominium unit)**

Degree of completion of construction or substantial renovation as of April 1, 2013	Transitional tax adjustment rate as a percentage of consideration
Less than 10%	4.5%
Equal to or greater than 10% and less than 25%	3.38%
Equal to or greater than 25% and less than 50%	2.25%
Equal to or greater than 50% and less than 75%	1.13%
Equal to or greater than 75% and less than 90%	0.45%
Equal to or greater than 90%	0.0 %

The transitional tax adjustment would be calculated on the consideration payable for the grandparented sale of the housing, which would exclude the GST payable and any new housing rebate. However, where the consideration is less than what the fair market value of the housing would have been on the day the builder and purchaser entered into the written agreement of purchase and sale, had the housing been substantially completed on that date, the consideration for purposes of calculating the transitional tax adjustment will instead be equal to that fair market value.

**43. I am the builder of a single detached house, the sale of which would be grandparented. The consideration payable (excluding GST and any rebate) for the house is \$450,000. The construction of the house is 85% completed as of April 1, 2013. What would be the amount of the transitional tax adjustment I would need to include in my GST/HST return?**

Where the construction of the house is 85% completed as of April 1, 2013, the transitional tax adjustment to be included in your GST/HST return would be equal to 0.45% of the total consideration payable for the house, i.e., \$2,025 ( $\$450,000 \times 0.45\%$ ). You would have to file your GST/HST return electronically.

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**44. I am the builder of a semi-detached house the sale of which would not be grandparented. Ownership and possession of the house will transfer to the purchaser, in accordance with the agreement, in August 2013. Would the transitional tax adjustment apply in this case?**

No. The transitional tax adjustment would only apply if the sale of the house is grandparented. In the circumstances described, the HST would be payable on the sale of the house and the transitional tax adjustment would not apply.

**45. I am a builder of a single detached house, the sale of which would be grandparented, and I am required to account for the transitional tax adjustment. How would I account for this tax?**

You would report the transitional tax adjustment in your regular GST/HST return for the reporting period that includes the day GST becomes payable by the purchaser. You would have to file your GST/HST return electronically.

**46. How would I determine the degree of completion of the construction or substantial renovation of a house as of April 1, 2013, for purposes of the transitional tax adjustment?**

The method used to determine the percentage of completion as of April 1, 2013 must be fair and reasonable. Methods for determining the degree of completion of housing are set out in GST/HST Info Sheet GI-105, *How to Determine the Percentage of Completion for Purposes of the Provincial Transitional New Housing Rebates and the Transitional Tax Adjustment in Ontario and British Columbia*. These methods would also apply for purposes of housing in P.E.I.

**47. On July 15, 2012, I entered into a written agreement of purchase and sale with a builder for a newly constructed single detached house. I will occupy the house as my primary place of residence. Would I have to pay the transitional tax adjustment to the CRA?**

No. The transitional tax adjustment is an amount that would be considered to have been collected by the builder of the house (though not actually collected from anyone). The builder would include the amount of the transitional tax adjustment in its GST/HST return, which would have to be filed electronically.

**48. How would the transitional tax adjustment be calculated for a grandparented sale of a newly constructed or substantially renovated residential condominium unit or condominium complex?**

The transitional tax adjustment for a grandparented sale of a newly constructed or substantially renovated residential condominium unit or condominium complex would be equal to 4.5% of the total consideration payable for the unit or complex, as determined for GST purposes. The builder would be entitled to claim a PST transitional new housing rebate if the construction of the condominium complex is at least 10% completed as of April 1, 2013 (see the section entitled “Provincial sales tax (PST) transitional new housing rebates”).

The transitional tax adjustment would be calculated on the consideration payable for the grandparented housing, which would exclude the GST payable and any new housing rebate. However, where the consideration is less than what the fair market value of the housing would have been on the day the builder and purchaser entered into the written agreement of purchase and sale, had the housing been substantially completed on that date, the consideration for purposes of calculating the transitional tax adjustment will instead be equal to that fair market value.

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**49. I am the builder of a condominium complex that has 150 residential condominium units. Sales of 100 residential condominium units in the complex will be grandparented. The total consideration payable (excluding GST and any rebate) for the sale of each of the grandparented units is \$500,000. Construction of the condominium complex is 60% completed as of April 1, 2013. What would be the amount of the transitional tax adjustment that I would need to include in my GST/HST return?**

The amount of the transitional tax adjustment would be equal to 4.5% of the total consideration for each of the 100 grandparented units, i.e., \$22,500 for each unit ( $\$500,000 \times 4.5\%$ ). The transitional tax adjustment for a particular unit would be included in your GST/HST return for the reporting period during which possession or ownership of the particular unit is transferred to the purchaser, whichever occurs earlier. Since this is a condominium complex, the fact that the construction of the condominium complex is 60% completed as of April 1, 2013 does not have any impact on the calculation of the transitional tax adjustment.

As the builder, you would be entitled to claim a PST transitional new housing rebate in these circumstances (see the section entitled “Provincial sales tax (PST) transitional new housing rebates”).

**50. I am the builder of a condominium complex. On May 28, 2011, I entered into a written agreement of purchase and sale for the complex with another person who will either sell or rent the units in the complex. Ownership of the condominium complex transfers to the purchaser, in accordance with the agreement, on June 1, 2014. The consideration (excluding GST) for the sale of the condominium complex is \$30 million. What would be the amount of the transitional tax adjustment that I need to include in my GST/HST return?**

The transitional tax adjustment that would need to be included in your GST/HST return would be equal to 4.5% of the total consideration for the condominium complex, i.e., \$1,350,000 ( $\$30,000,000 \times 4.5\%$ ).

The transitional tax adjustment for the complex would be included in your GST/HST return for the reporting period that includes the earlier of the day ownership of the complex is transferred to the purchaser and the day that is 60 days after the day the complex is registered as a condominium.

As the builder, you would be entitled to claim a PST transitional new housing rebate provided that the construction of the complex is at least 10% completed as of April 1, 2013 (see the section entitled “Provincial sales tax (PST) transitional new housing rebates”).

**51. I am the builder of a condominium complex. I have pre-sold a number of condominium units in the complex. However, all of the written agreements of purchase and sale were entered into after November 8, 2012 and are not grandparented. Would I have to account for the transitional tax adjustment?**

No. The transitional tax adjustment would not apply since the sales of the condominium units are not grandparented.

## ***Application of the HST to new rental housing***

**52. How would the HST apply to landlords who construct or substantially renovate their own rental housing?**

Builders of newly constructed or substantially renovated rental housing, including single houses, residential condominium units, traditional apartment buildings and long-term care facilities, who make a supply by way of lease, licence or similar arrangement of the house or condominium unit—or in the case of an apartment building, a unit in the apartment building—are considered to have paid and collected tax under the self-supply rules for rental housing. Where the self-supply occurs after March 2013, the 14% HST would apply to the self-supply. The HST would be calculated on the fair market value of the house, condominium unit or apartment building, as the case may be, including the building and the land reasonably necessary for the use of the housing as a place of residence for individuals.



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The self-supply generally occurs at the later of the time construction or substantial renovation of the rental housing is substantially completed and the time possession or use of the rental property is given under a lease, licence or similar arrangement to an individual who is the first to occupy it as a place of residence. In the case of an apartment building, the self-supply occurs at the later of the time construction or substantial renovation of the apartment building is substantially completed and the time possession or use of a unit in the building is given to an individual who is the first to occupy a unit in the building as a place of residence.

If a builder is required to pay tax on a self-supply before April 2013, the provincial part of the HST would not apply. However, the GST at 5% would apply.

For more information on the self-supply of a rental property, see GST/HST Guide RC4052, *GST/HST Information for the Home Construction Industry*.

**53. I am the builder of a traditional apartment building. Construction of the apartment building is substantially completed in March 2013 and, under a lease, possession of a unit in the apartment building is given to an individual on April 1, 2013. The individual is the first to occupy a unit in the building as a place of residence. Would I account for the GST at 5% or the HST at 14% on this self-supply?**

You would be considered to have paid and collected the HST at 14% on the self-supply of the apartment building. As the self-supply occurs at the later of the time construction of the rental property is substantially completed and the time possession of a unit in the apartment building is first given to an individual as a place of residence, the self-supply occurs on April 1, 2013 at which time the 14% HST would apply. The HST would be calculated on the fair market value of the apartment building (i.e., building and land) at that time.

You may be eligible for a PST transitional new housing rebate in the circumstances (see the section entitled “Provincial sales tax (PST) transitional new housing rebates”).

**54. I am a builder of a duplex. On March 1, 2013, under a lease agreement, I give possession of one of the units in the duplex to an individual who is the first to occupy a unit in the duplex as a place of residence. Construction of the duplex is substantially completed on March 15, 2013. Under a lease, I give possession of the other unit in the duplex on May 1, 2013, to an individual who occupies it as a place of residence. Would I account for the GST at 5% or the HST at 14% for this self-supply?**

You would be considered to have paid and collected the GST at 5% on a self-supply of the duplex. The self-supply occurs on March 15, 2013 (i.e., the later of the time construction of the rental property is substantially completed and the time possession of a unit is first given to an individual for use as a place of residence). As such, the 14% HST would not apply on the self-supply and the GST at 5% would apply.

**55. I am leasing an apartment and I am not required to pay GST on my lease payments. Following the implementation of the HST, would I be required to pay HST on my lease payments?**

No, long-term residential rents are exempt from the GST and would also be exempt under the HST.

### ***New residential rental property rebates***

**56. Would a new residential rental property rebate be available for the provincial part of the HST?**

P.E.I.’s Revenue Tax Guide RTG185, *Implementation of the Harmonized Sales Tax in Prince Edward Island*, contains no provisions for a new residential rental property rebate for the provincial part of the HST.

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**57. Would I still be able to claim a GST/HST new residential rental property rebate for the federal part of the HST?**

Provided that you meet all of the conditions for claiming the GST/HST new residential rental property rebate, you would be entitled to claim a rebate in respect of the federal part of the HST.

***Builders' disclosure requirements***

**58. What would the disclosure requirements be for builders under the proposed transitional rules for sales of newly constructed or substantially renovated housing in P.E.I.?**

If a written agreement of purchase and sale for a newly constructed or substantially renovated residential complex is entered into after November 8, 2012 and before April 1, 2013, the builder would be required to disclose in the written agreement whether the provincial part of the HST applies to the sale and, if so, whether the stated price in the agreement includes the provincial part of the HST, net of the PST transitional new housing rebate if applicable.

If the transaction is subject to the HST and the builder did not make a disclosure as outlined above, the stated price in the written agreement would be deemed, under the transitional rules, to include the provincial part of the HST. In such a case, the purchaser would not be required to pay the provincial part of the HST in addition to the stated price in the agreement.

This proposed transitional measure would help provide certainty to both builders and purchasers with respect to the application of the proposed HST under written agreements of purchase and sale for new or substantially renovated homes entered into during the transitional period.

***Builder reporting requirements***

**59. How would a builder affected by the HST transitional rules for housing report the necessary information on their GST/HST return?**

***Registrant builders***

GST/HST registrant builders would be required to file their GST/HST returns using GST/HST NETFILE for reporting periods in which the builder:

- makes a taxable sale of grandparented housing in P.E.I. where the purchaser is not entitled to a GST/HST new housing rebate or a GST/HST new residential rental property rebate in respect of the GST payable on the grandparented sale;
- would be required to account for the transitional tax adjustment;
- is reporting a PST transitional new housing rebate (either a rebate that the builder is entitled to claim or a rebate that is assigned to the builder by a purchaser who is entitled to claim the rebate);
- is a first reseller who makes a taxable sale of a housing unit where the sale is subject to the 14% HST and the first reseller (builder) purchased that housing unit on a grandparented basis; or
- would be required to recapture ITCs for the provincial part of the HST paid or payable on certain taxable supplies acquired or brought into P.E.I. for use by the builder in P.E.I.

The GST/HST NETFILE return would include certain schedules that would have to be completed by a builder affected by the transitional rules for housing in P.E.I. and certain other HST transitional measures, such as the recapture of ITCs. For more information on how a registrant builder would be required to file, see GST/HST Info Sheet GI-118, *Builders and GST/HST NETFILE*, which will be updated to include changes for P.E.I.

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## ***Non-registrant builders***

Non-registrant builders have different filing requirements than GST/HST registrant builders, and these requirements would continue under the HST. A non-registrant builder would be required to use Form GST62, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return (Non-Personalized)* and would have to attach a letter to its GST62 return to report certain information (i.e., the same information that would be required to be reported by a registrant builder on the schedule(s) to the GST/HST NETFILE return). For more information on how a non-registrant builder would be required to file their return, see GST/HST Info Sheet GI-101, *Harmonized Sales Tax for Non-Registrant Builders of Housing in Ontario, British Columbia, and Nova Scotia*, which will be updated to include proposed changes for P.E.I.

## **Non-residential real property**

### ***Sales of non-residential real property***

**60. What is the current P.E.I. provincial sales tax (PST) treatment for sales of non-residential real property in P.E.I.?**

Information relating to the application of the PST in P.E.I. is available online at [www.taxandland.pe.ca](http://www.taxandland.pe.ca). You may also contact the Government of P.E.I.'s Taxation and Property Records Division at 902-368-4171 for more information on the current application of the PST.

**61. Would the HST apply to sales of non-residential real property in P.E.I.?**

The HST at 14%, composed of the federal part at 5% and the provincial part at 9%, would generally apply to the sale of non-residential real property. Sales of real property that are currently exempt under the GST rules would also be exempt for purposes of the HST. The definitions in the *Excise Tax Act* that relate to real property and the CRA's current policies regarding the application of the GST to sales of real property would generally apply under the HST.

**62. I am an individual selling personal use vacant land and the sale is exempt from GST. Would the sale of the land be exempt under the HST?**

Yes. The sale of the land would be exempt under the HST and you would not be required to charge or collect the HST.

**63. A corporation constructs commercial properties and sells them in the course of its commercial activities. The corporation is registered for GST/HST purposes. The corporation currently claims ITCs for the 5% GST that it pays on construction inputs. Would the corporation be entitled to claim ITCs for the 14% HST payable on its construction inputs?**

Generally, yes. The corporation would be entitled to claim ITCs to recover the 14% HST paid or payable on most purchases of construction inputs and operating expenses used to construct the commercial properties. The corporation would claim ITCs for the 14% HST on its regular GST/HST return, but would not claim any ITCs for any PST paid or owing. For example, the corporation would claim ITCs for the HST paid or payable on:

- a lease of commercial real property for use as an office and for storage of equipment and materials;
- building materials;
- plumbing and electrical subcontracts;

- 
- inspection services; and
  - legal and accounting services.

In some cases, businesses may be required to recapture certain amounts claimed as ITCs. Further information on temporarily restricted ITCs is set out in P.E.I.'s Revenue Tax Guide RTG186, *Temporary Recapture of Certain Provincial Input Tax Credits*, available at [www.peihst.ca](http://www.peihst.ca).

**64. When would the HST apply to a sale of commercial real property?**

Generally, the HST would apply to a taxable supply by way of sale of real property (other than housing) where both ownership and possession of the property are transferred to the purchaser under the agreement for the supply after March 2013.

**65. When would the HST NOT apply to a taxable sale of real property?**

Where either ownership or possession of the real property transfers before April 2013, the HST would not apply to the sale. However, the GST at 5% would apply to the sale.

**66. I am purchasing vacant land from a developer. In March 2013, I take possession under a written agreement of purchase and sale for the land, though title will not transfer to me until April 5, 2013. Would the HST apply to the sale?**

No. Since possession of the land transfers to you before April 2013, the HST would not apply. However, the GST at 5% would apply to the sale.

**67. I enter into a written agreement of purchase and sale in February 2012 for the taxable sale of commercial real property. Possession and ownership of the property do not transfer under the agreement until April 2013. Would the sale of the real property be subject to the HST?**

Yes. As both ownership and possession of the real property transfer after March 2013, the HST would apply to the sale. For sales of real property other than housing, the date the agreement of purchase and sale is entered into does not affect the application of the HST. There is no grandparenting provision for sales of non-residential real property as there is for certain sales of housing. For information on grandparenting in respect of housing, see the section entitled "Grandparented sales of housing".

**68. I am an individual and I purchase vacant land from a developer to build a home for my family. Ownership and possession of the land will transfer to me in May 2013. Would the HST apply to the sale?**

Yes. Since both ownership and possession of the vacant land transfer to you after March 2013, the HST would apply to the sale. The fact that you are building a home on the vacant land does not affect the application of the HST. However, you may be entitled to recover some of the federal part of the HST paid by way of a GST/HST new housing rebate.

**69. I am making a taxable sale of commercial real property to a corporation that is registered for GST/HST purposes. Ownership and possession of the property transfer after March 2013. Do I have to collect the HST on the sale?**

No. While the sale would be subject to the HST, since the corporation (i.e., the recipient) is registered for the GST/HST, the corporation would include the amount of the HST payable on the sale of the real property in its regular GST/HST return if the property is used primarily in its commercial activities. Otherwise, the corporation would report the HST on Form GST60, *GST/HST Return for Acquisition of Real Property*.

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## ***Leases of non-residential real property<sup>2</sup>***

### **70. What is the current PST treatment for leases of non-residential real property?**

Information relating to the application of the PST in P.E.I. is available online at [www.taxandland.pe.ca](http://www.taxandland.pe.ca). You may also contact the Government of P.E.I.'s Taxation and Property Records Division at 902-368-4171 for more information on the current application of the PST.

### **71. Would the HST apply to leases of non-residential real property in P.E.I.?**

The HST at 14%, composed of the federal part at 5% and the provincial part at 9%, would generally apply to the lease of non-residential real property made by a GST/HST registrant. Leases of real property that are currently exempt under the GST rules would also be exempt under the HST. The definitions in the *Excise Tax Act* that relate to real property and the CRA's current policies regarding the application of the GST to leases of real property would generally apply under the HST.

### **72. A charity leases real property to a tenant and the lease is exempt from GST. Would the lease of the property be exempt under the HST?**

Yes. The lease of the real property would be exempt and the charity would not be required to charge or collect the HST.

### **73. A landlord owns a shopping mall and leases space in the mall to retailers. The landlord is registered for GST/HST purposes and currently claims ITCs for the 5% GST it pays on various business expenses, e.g., maintenance and repair services. Would the landlord be entitled to claim ITCs for the 14% HST payable on such expenses? Would a retailer, who is registered for GST/HST purposes, be entitled to claim ITCs for the HST payable on the lease payments?**

Generally, yes. Both the landlord and the retailer would be entitled to claim ITCs to recover the 14% HST paid or payable on the acquisition of property and services for consumption, use or supply in the course of their respective commercial activities. The landlord and the retailer would claim ITCs on their regular GST/HST returns, but could not claim any ITCs for any PST paid or owing.

In some cases, businesses may be required to recapture certain amounts claimed as ITCs. Further information on temporarily restricted ITCs is set out in P.E.I.'s Revenue Tax Guide RTG186, *Temporary Recapture of Certain Provincial Input Tax Credits*, available at [www.peihst.ca](http://www.peihst.ca).

### **74. When would the HST apply to a taxable lease of commercial real property?**

The following rules would apply based on the earlier of the date the consideration for the lease, licence or similar arrangement becomes due and the date the consideration is paid without having become due.

#### ***Lease payment due or paid without having become due on or after April 1, 2013***

Generally, the HST would apply to any lease payment that becomes due, or is paid without having become due, on or after April 1, 2013, to the extent that the lease payment is attributable to a lease interval, or any part of a lease interval, that begins on or after April 1, 2013. However, the HST would not apply to a lease payment for a lease interval that begins before April 1, 2013 and ends before May 1, 2013.

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<sup>2</sup> In this document, references to a lease include a licence or similar arrangement.

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***Lease payment due or paid without having become due on or after February 1, 2013 and before April 2013***

Generally, the HST would apply to any lease payment that becomes due, or is paid without having become due, during the period after January 2013 and before April 2013, to the extent that the lease payment is attributable to a lease interval, or any part of a lease interval, that begins on or after April 1, 2013 (other than a lease interval that begins before April 1, 2013 and ends before May 1, 2013). In these situations, a lessor would be required to account for the provincial part of the HST in its GST/HST return for the reporting period that includes April 1, 2013. If eligible, a lessee would be entitled to claim any corresponding ITC in its GST/HST return for the reporting period that includes April 1, 2013.

***Lease payment due or paid without having become due after November 8, 2012 and before February 2013***

Generally, if the lessee is a non-consumer (e.g., a business or public service body), the HST would apply to any lease payment that becomes due, or is paid without having become due, during the period after November 8, 2012 and before February 2013, to the extent that the lease payment is attributable to a lease interval, or any part of a lease interval, that begins on or after April 1, 2013 (other than a lease interval that begins before April 1, 2013 and ends before May 1, 2013). In these situations, the non-consumer may be required to self-assess<sup>3</sup> the provincial part of the HST. The requirement to self-assess would generally apply only to:

- non-consumers who acquire the property for consumption, use or supply otherwise than exclusively in the course of their commercial activities (e.g., a business that is making GST/HST-exempt supplies, such as a financial institution);
- non-consumers who acquire the property for consumption, use or supply exclusively in the course of their commercial activities in circumstances where the property is subject to an ITC restriction or recapture;
- non-consumers who use simplified methods to calculate their net tax (e.g., certain charities, public service bodies, and small businesses); and
- selected listed financial institutions that use a special attribution method to determine their net tax.

Persons liable to self-assess the provincial part of the HST under this rule would be required to account for the tax in their GST/HST return for the reporting period that includes April 1, 2013, if the due date of that return is before August 1, 2013. In any other case, the person would account for the tax in Form GST489, *Return for Self-Assessment of the Provincial Part of Harmonized Sales Tax (HST)*, and file the return along with any amount owing before August 1, 2013.

**75. I lease warehouse space from a GST/HST registered person and the supply of the space is subject to the GST. The lease payments for each month are due, in advance, on the first day of each month. I pay the lease payments on the same day they become due. Which monthly lease payment would be the first payment on which I have to pay the HST?**

The first lease payment that would be subject to the HST would be the lease payment that becomes due and is paid on April 1, 2013. The HST would also apply to all subsequent lease payments.

**76. I work downtown and I rent a parking space from the operator of a parking lot that is located near my work. The operator of the parking lot is registered for GST/HST purposes. At the beginning of each month, I pay the operator \$150 to park on the lot during that month. Would the HST apply to these payments?**

Yes. The HST would apply to the payment you make on April 1, 2013 for the month of April and all subsequent payments for parking.

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<sup>3</sup> To "self-assess" means to account for tax oneself rather than paying tax to the supplier.

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**77. I have a licence to use real property for the period of March 15, 2013 to April 15, 2013. The person supplying the licence is registered for the GST/HST and the licence is taxable for GST purposes. The payment for the licence is due and paid on March 15, 2013. Would any part of the payment be subject to the HST?**

No. As the licence period begins before April 2013 and ends before May 1, 2013, the HST would not apply to the payment. However, the GST at 5% would apply.

**78. I enter into a lease agreement in March 2012 for the taxable lease of commercial real property. Under the terms of the lease, it commences April 1, 2013 and I am required to provide monthly lease payments, payable in advance, on the first of the month beginning April 1, 2013. I take possession of the property under the lease on April 1, 2013, and make the lease payment for the month of April on that date. Would the lease of the real property be subject to the HST?**

Yes. Regardless of when the parties entered into the lease agreement and when possession is given, since each lease payment becomes due on or after April 1, 2013, is not paid before that date and is wholly attributable to a period after March 2013, the lease payments would be subject to the HST.

**79. I lease real property from a GST/HST-registered person for March and April 2013. The lease is subject to the GST and the lease payment for the two-month period (the lease interval) is due and paid on March 1, 2013. Would any part of the lease payment be subject to the HST?**

No. The lease payment is attributable to a period that begins before April 1, 2013 and ends before May 1, 2013. Accordingly, the HST would not apply to any portion of the lease payment. However, the GST at 5% would apply.

**80. I lease real property from a GST/HST-registered person from March 15, 2013 to May 15, 2013. The lease is subject to the GST and the lease payment for the two-month period (the lease interval) is due and paid on March 15, 2013. Would any part of the lease payment be subject to the HST?**

Yes, part of the lease payment would be subject to the HST. The lease payment becomes due during the period on or after February 1, 2013 and before April 2013 and is attributable to a period that begins before April 1, 2013, but ends on or after May 1, 2013. Accordingly, the HST would apply to the portion of the lease payment that is attributable to the period of April 1 through May 15 (i.e., 75% of the lease payment would be subject to the HST). The lessor would be required to account for the provincial part of the HST in its GST/HST return for the reporting period that includes April 1, 2013. If eligible, you would be entitled to claim any corresponding ITC in your GST/HST return for the reporting period that includes April 1, 2013.

**81. A GST/HST-registered landlord receives a prepayment of rent on February 10, 2013 for a taxable lease of real property. The amount of the prepayment did not become due before that date. The term of the lease is from April 1, 2013 to December 31, 2013. When would the landlord be required to report the provincial part of the HST that applies to the prepayment? If eligible, when would the tenant be entitled to claim an ITC for the provincial part of the HST?**

Since the lease payment is paid without having become due during the period after January 2013 and before April 2013 and is wholly attributable to a period beginning on April 1, 2013, the HST would apply to the entire prepayment. The landlord would be required to account for the provincial part of the HST in its GST/HST return for the reporting period that includes April 1, 2013. The landlord would account for the GST collectible on the lease payment in its GST/HST return for the reporting period that includes February 10, 2013. If eligible, the tenant would be entitled to claim any corresponding ITC for the provincial part of the HST in its GST/HST return for the reporting period that includes April 1, 2013.

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**82. A person leases office space from a GST/HST registrant from January 1 to December 31. The lease of the office is subject to the GST. One lease payment is due and made on January 1 of each year for the twelve-month period. Would the lessor be required to collect the HST on the lease payment the lessee makes on January 1, 2013?**

No. The lease payment becomes due and is paid during the period after November 8, 2012 and before February 1, 2013. Therefore the lessor would not be required to collect the HST.

The lessee would not be required to self-assess the provincial part of the HST unless: they are using a simplified method to calculate their net tax; they are acquiring the space for use otherwise than exclusively in their commercial activities; the tax payable is subject to an ITC restriction or recapture; or they are a selected listed financial institution that uses a special attribution method to determine their net tax. If any of these exceptions apply, the lessee would be required to self-assess the provincial part of the HST.

The GST at 5% would apply to the payment made on January 1, 2013. Lease payments that become due and are paid on January 1 of subsequent years would be subject to the HST.

**83. The operator of a daycare centre leases an area in a building from a landlord and uses the area in the course of making exempt supplies. The lease payment of \$100,000 is payable and paid by the operator on January 1, 2013, and covers the lease interval of January 1 to December 31, 2013. The lease of the property is subject to the GST. The operator is not registered for GST/HST purposes. Would the operator be required to self-assess the provincial part of the HST?**

Yes. The lease payment becomes due and is paid during the period after November 8, 2012 and before February 2013. Given that the operator of the daycare is leasing the area in the building for use in the course of making exempt supplies, the operator would have to self-assess the provincial part of the HST. The HST would apply to the part of the lease payment that is attributable to the period beginning on April 1, 2013, i.e., nine out of the twelve-month lease interval or 75% of the \$100,000 lease payment. The operator would be required to self-assess the provincial part of the HST calculated on \$75,000 (75% of \$100,000) and account for the tax (9% of \$75,000 = \$6,750) in Form GST489, *Return for Self-Assessment of the Provincial Part of Harmonized Sales Tax (HST)*, which would have to be filed before August 2013.

**84. A small business uses the quick method of accounting to calculate its net tax for GST purposes. It leases space in a building from a landlord and uses the space exclusively in the course of its commercial activities. The lease payment is payable and paid by the business on January 1, 2013, and covers the lease interval of January 1 to December 31, 2013. The lease of the property is subject to the GST. The business files monthly GST/HST returns. Would the business be required to self-assess the provincial part of the HST?**

Yes. The lease payment becomes due and is paid during the period after November 8, 2012 and before February 2013. Even though the business uses the property exclusively in commercial activities, it uses a simplified method for calculating net tax and therefore would be required to self-assess the provincial part of the HST on the part of the lease payment that is attributable to the period beginning on April 1, 2013, i.e., nine out of the twelve-month lease interval or 75% of the lease payment. The business would be required to account for the tax in its GST/HST return for the reporting period that includes April 1, 2013.

**85. The operator of a trailer park, who is a GST/HST registrant, leases a site in the park to an individual for the individual's personal use. The lease payment is subject to the GST and is due in January 2013 for the seven-month period from April 1, 2013 to October 31, 2013. The lease payment is not paid before it becomes due. Would the operator be required to collect the HST? Would the individual be required to self-assess the provincial part of the HST?**

No, the operator would not be required to collect the HST and the individual would not be required to self-assess. Given that the lease payment becomes due during the period after November 8, 2012 and before February 2013, the operator would not be required to collect the HST for any part of the lease



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payment that is attributable to a period beginning on April 1, 2013. Given that the individual is a consumer, the individual would not be required to self-assess the provincial part of the HST. However, the GST at 5% would apply to the lease payment.

**86. The operator of a trailer park, who is a GST/HST registrant, leases a site in the park to an individual for the individual's personal use. The lease payment is subject to the GST and is due on February 1, 2013, for the six-month period from May 1, 2013 to October 31, 2013. The individual paid the amount of the lease payment on January 15, 2013. Would the operator be required to collect the HST? Would the individual be required to self-assess the provincial part of the HST?**

No, the operator would not be required to collect the HST, and the individual would not be required to self-assess. Although the lease payment becomes due in the period after January 2013 and before April 2013, the payment is made without becoming due by the individual on January 15, 2013, which is after November 8, 2012 and before February 2013. The transitional rules apply based on the earlier of the date the lease payment becomes due and the date the lease payment is made without having become due. As such, the operator would not be required to collect the HST for any part of the lease payment that is attributable to a period beginning on May 1, 2013. Given that the individual is a consumer, the individual would not be required to self-assess the provincial part of the HST. However, the GST at 5% would apply to the lease payment.

**87. The operator of a trailer park, who is a GST/HST registrant, leases a site in the park to an individual for their personal use. The lease payment is subject to the GST and is due on March 1, 2013 for the six-month period from May 1, 2013 to October 31, 2013. The individual paid the amount of the lease payment on March 15, 2013. Would the operator be required to collect the HST? Would the individual be required to self-assess the provincial part of the HST?**

Yes, the operator would be required to collect the HST on the lease payment as the payment becomes due and is paid during the period after January 2013 and before April 2013. As the payment is fully attributable to a period beginning after March 2013, the HST would apply to the entire lease payment. The operator must account for the provincial part of the HST in its GST/HST return for the reporting period that includes April 1, 2013. The individual would not be required to self-assess the provincial part of the HST.

## ***Progress payments***

**88. Would the HST apply to progress payments made for the construction of real property in P.E.I.?**

The HST at 14%, composed of the federal part at 5% and the provincial part at 9%, would generally apply to progress payments made under contracts for the construction, renovation, alteration or repair (hereafter "construction") of real property where the progress payment becomes due, or is paid without becoming due, after November 8, 2012, to the extent that the payment can reasonably be attributed to property delivered or services performed on or after April 1, 2013. To the extent that the progress payment can reasonably be attributed to property delivered or services performed before April 2013, the payment would not be subject to the provincial part of the HST.

The provincial part of the HST would not apply to a progress payment that becomes due or is paid on or before November 8, 2012, regardless of when property is delivered or services are performed. If a progress payment becomes due or is paid without having become due after November 8, 2012 and before April 2013, the payment would be considered to become due on April 1, 2013, and not to have been paid before that date. To the extent that the progress payment is attributable to property delivered or services performed on or after April 1, 2013, the HST would be payable on April 1, 2013. In this case, a supplier would be required to account for the provincial part of the HST in its GST/HST return for the reporting period that includes April 1, 2013. If eligible, the recipient would be entitled to claim any corresponding ITC for the provincial part of the HST in its GST/HST return for the reporting period that includes April 1, 2013.

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In cases of written contracts for the construction of real property, or a ship or other vessel where it can be reasonably expected that it will require more than three months to complete the contract, and the construction is substantially completed (90% or more) before March 2013, the construction would be considered to be substantially completed on March 1, 2013 and not before that date. Any consideration or part of the consideration for the contract, other than an amount that is a holdback, that has not been paid or become due on or before April 30, 2013, would be considered to become payable on that date.

**89. On January 15, 2011, a corporation entered into a contract to construct a six storey building. Construction began on July 1, 2011 and is expected to be completed on June 15, 2013. A progress payment is due on April 5, 2013, for the work completed up until the end of March 2013. Would the HST apply to the progress payment?**

No. Although the progress payment becomes due on April 5, 2013, the payment is attributable to property delivered and services performed before April 2013. As such, the HST would not apply to the progress payment. However, the GST at 5% would apply.

**90. On February 10, 2013, a corporation entered into a contract to construct a parking garage. Construction began on April 1, 2013, and is expected to be completed on October 1, 2013. A progress payment is due on August 1, 2013, for the work completed up until the end of July 2013. Would the HST apply to the progress payment?**

Yes. The HST would apply to the progress payment, or that part of the payment, that is attributable to property delivered and services performed on or after April 1, 2013. If any part of the progress payment can reasonably be attributed to property delivered or services performed before the construction actually began (April 1, 2013), the HST would not apply to that part of the progress payment. However, the GST at 5% would apply.

**91. My company is renovating a house and the first three progress payments are due as follows: \$20,000 on January 15, 2013; \$15,000 on March 1, 2013; and \$10,000 on May 1, 2013. The agreement for the renovation was entered into on November 1, 2012. Would the HST apply to these progress payments?**

Yes, the HST would apply to some of the progress payments to the extent that the payments are attributable to property delivered or services performed on or after April 1, 2013. The date the agreement is entered into by the parties does not affect the application of the HST to progress payments. If the \$20,000 progress payment of January 15, 2013 is reasonably attributable to property delivered and services performed before April 2013, the HST would not apply to this payment; however, the GST at 5% would apply.

If 40% of the \$15,000 progress payment of March 1, 2013 (i.e., \$6,000) is reasonably attributable to property delivered and services performed before April 2013, the HST would not apply to that part of the payment. However, GST at 5% applies to 40% of this payment (GST = 5% of \$6,000 = \$300). Since 60% of the \$15,000 progress payment (i.e., \$9,000) is reasonably attributable to property delivered and services performed on or after April 1, 2013, the 14% HST would apply to 60% of the payment (HST = 14% of \$9,000 = \$1,260).

If the \$10,000 progress payment of May 1, 2013 is wholly attributable to property delivered and services performed on or after April 1, 2013, the 14% HST would apply to this entire payment.

**92. On February 2, 2013, the construction of a parking garage is substantially complete. A progress payment of \$10,000 is due and paid on May 15, 2013. Of this progress payment, \$4,000 is reasonably attributable to property delivered and services performed on or after April 1, 2013. Would the HST apply to this progress payment?**

Yes. The provincial part of the HST would apply to the part of the progress payment that is attributable to property delivered and services performed on or after April 1, 2013, i.e., \$4,000. For purposes of

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determining when the provincial part of the HST would be payable, the construction would be considered to be substantially completed on March 1, 2013, given that the construction was substantially completed on February 2, 2013. As a result, the provincial part of the HST (i.e., 9% of \$4,000 = \$360) would be payable on April 30, 2013. The federal part of the HST payable in respect of the progress payment (i.e., 5% of \$10,000 = \$500) would be payable on March 31, 2013 in accordance with the current GST rules.

## **Holdbacks**

### **93. Would the HST apply to holdbacks for the construction of real property in P.E.I.?**

If, in accordance with federal or provincial law or a written agreement for the construction, renovation, alteration or repair of real property or a ship or other vessel, a purchaser keeps a part of a progress payment as a holdback pending satisfactory completion of the work, the 14% HST would generally apply to the holdback to the extent that the progress payment can reasonably be attributed to property delivered or services performed on or after April 1, 2013, provided that the progress payment becomes due or is paid without having become due after November 8, 2012. The GST/HST on the amount of the holdback, or any part thereof, becomes payable on the earlier of the day the purchaser pays the holdback and the day the holdback period expires. The GST/HST is collectible by the supplier on the earlier of the above dates even if the supplier already issued an invoice for the holdback and charged the GST/HST on this amount. The provincial part of the HST would not apply to a holdback that is withheld from a progress payment that is attributable to property delivered and services performed before April 2013 even if the holdback is paid on or after April 1, 2013.

### **94. On May 1, 2013, a final progress payment of \$25,000 less a holdback amount is due for the construction of a house on land owned by an individual. 70% of the progress payment is reasonably attributable to property delivered and services performed after March 2013. In accordance with the written contract for the construction of the house, the individual only pays \$5,000 and keeps \$20,000 (10% of the value of the contract) as a holdback pending satisfactory completion of the work. Would the HST apply to the holdback amount?**

Yes, the HST would apply to a part of the holdback amount. Since 70% of the progress payment is reasonably attributable to property delivered and services performed after March 2013, 70% of the progress payment of \$5,000 would be subject to the 14% HST. GST at 5% applies to 30% of the \$5,000 progress payment. Given that the holdback is retained from this progress payment, the HST would apply to 70% of the holdback amount i.e., 70% of \$20,000 = \$14,000. The amount of the GST on the holdback, \$300 (i.e., 5% of \$6,000) and the amount of the HST on the holdback, \$1,960 (i.e., 14% of \$14,000) would be payable on the earlier of the day the purchaser pays the holdback amount and the day the holdback period expires.

## **Additional questions and answers related to real property**

### **95. When I purchase a house, I incur additional costs such as legal fees, home inspection fees and real estate agent commission fees. Currently, I am required to pay 5% GST in respect of these fees. Would these fees be subject to tax at 14% under the HST?**

Yes. Under the HST, you would be required to pay the 14% HST at for taxable goods and services that you acquire in relation to the purchase of your house where these goods and services are currently subject to the 5% GST at. The HST would generally apply to these goods and services even if the sale of the house is grandparented or exempt from the tax (e.g., the house was previously occupied by an individual as a place of residence). For more information on the application of the transitional rules on the acquisition of services and property other than real property, see GST/HST NOTICE278, *Harmonized Sales Tax for Prince Edward Island – Questions and Answers on General Transitional Rules for Personal Property and Services*.

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**96. Would a construction business that is registered for GST/HST purposes recover the HST it pays on business expenses?**

Generally, yes. If eligible, businesses that are GST/HST registrants would claim ITCs to recover the HST paid or payable on most purchases and operating expenses for use in their commercial activities, in the same manner that they currently do for the GST. Businesses would claim ITCs on their regular GST/HST returns, but would not claim any ITCs for any PST paid or owing. For example, a contractor who is registered for GST/HST purposes and engaged in the business of providing home renovation services would claim ITCs for the HST paid or payable:

- on a lease of commercial real property for use as an office and for storage of equipment and materials;
- on building materials;
- to plumbing and electrical subcontractors;
- on inspection services, and
- on legal and accounting services.

In some cases, businesses may be required to recapture the provincial part of certain amounts claimed as ITCs. Further information on ITC restrictions is set out in P.E.I.'s Revenue Tax Guide RTG186, *Temporary Recapture of Certain Provincial Input Tax Credits*, available at [www.peihst.ca](http://www.peihst.ca).

### **Enquiries by telephone**

**Questions relating to this notice and technical enquiries on the GST/HST: 1-800-959-8287**

**General enquiries on the GST/HST: 1-800-959-5525 (Business Enquiries)**

**If you are located in Quebec: 1-800-567-4692 (Revenu Québec)**

All technical publications on GST/HST are available on the CRA Web site at [www.cra.gc.ca/gsthstech](http://www.cra.gc.ca/gsthstech).