

GST/HST Memoranda Series

19.3.1.1 Stated Price Net of Rebate

August 2006

Overview

This memorandum explains how to derive and apply a “rebate factor” to determine the consideration, the tax payable and the new housing rebate amount in cases where the stated price for the unit is tax included and net of the new housing rebate (i.e., stated price net of rebate). Two methods for using the rebate factor are provided: the calculation method and the table method.

Note that the tables and formulas given in this memorandum apply only to the GST new housing rebate. They do not apply to rebates of the federal component of the harmonized sales tax (HST) in the participating provinces (Nova Scotia, New Brunswick, and Newfoundland and Labrador). For a discussion of housing rebates under the HST, see GST/HST Memorandum 19.3.8, *New Housing Rebates and HST*.

Note

This memorandum updates GST/HST Memorandum 19.3.1.1, dated July 1998 to reflect the reduction of the rate of the GST from 7% to 6%.

Disclaimer

The information in this memorandum does not replace the law found in the *Excise Tax Act* (the Act) and its Regulations. It is provided for your reference. As it may not completely address your particular operation, you may wish to refer to the Act or appropriate Regulation, or contact a Canada Revenue Agency (CRA) GST/HST Rulings Centre for more information. These centres are listed in GST/HST Memorandum 1.2, *Canada Revenue Agency GST/HST Rulings Centres*. If you wish to make a technical enquiry on the GST/HST by telephone, please call the toll-free number 1-800-959-8287.

If you are located in the Province of Quebec, please contact Revenu Québec by calling the toll-free number 1-800-567-4692 for additional information.

Amendments

This memorandum reflects changes to the Act announced by the Minister of Finance on May 2, 2006, and included the *Budget Implementation Act, 2006*, which received Royal Assent on June 22, 2006.

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Canada

Builder pays or credits the rebate amount to the purchaser

Builder pays or credits s. 254 rebate	1. A purchaser of a new or substantially renovated single unit residential complex or residential condominium unit may agree with the builder to have the builder pay or credit the amount of the new housing rebate to the purchaser instead of the purchaser applying to the CRA for the rebate. (The calculations in this memorandum refer to the new housing rebate determined under section 254, which is discussed in GST/HST Memorandum 19.3.1, <i>Rebate for Builder – Built Unit (Land Purchased)</i>). The purchaser fills out the appropriate information on the form, GST190, <i>GST/HST New Housing Rebate Application for Houses Purchased from a Builder</i> , signs the form and gives it to the builder.
Deduction for rebate ss 234(1)	2. Where the purchaser qualifies for the rebate and the builder has paid or credited the rebate to the purchaser, the builder forwards the completed application to the CRA with the builder's return for the reporting period during which the rebate was paid or credited. The builder can then deduct the amount of the rebate as an adjustment when calculating the net tax for that reporting period. See Memorandums 19.3, <i>Real Property Rebates</i> and 19.3.1, <i>Rebate for Builder – Built Unit (Land Purchased)</i> for details on qualifying for and claiming a new housing rebate.
Payment towards the purchase	3. Where the builder pays or credits the amount of the new housing rebate to the purchaser, the builder and the purchaser may agree to treat the amount of the rebate as payment towards the purchase of the unit.
Meaning of "unit"	(Note that throughout this memorandum, "unit" is used as a common term for a "single unit residential complex and a "residential condominium unit". For new housing rebate purposes, a single unit residential complex includes a detached house, a semi-detached house, a duplex, a townhouse, a residential condominium unit, a floating home, or a mobile home.)
Meaning of "stated price"	4. The "stated price" of a unit is the amount the purchaser agrees to pay the builder for the unit. For purposes of this memorandum, the stated price includes the GST payable in respect of the unit.
Two ways to treat rebate	5. There are two ways that the builder and the purchaser may agree to treat the rebate in relation to the stated price for the unit.
Credited against the stated price	(a) The first is for the builder and the purchaser to agree to that the builder will credit the amount of the rebate against the stated price of the unit. For example, a unit sells for a stated price of \$212,000 (i.e., GST included). The rebate amount is \$4,320 ($\$212,000 \times 6/106 \times 36\%$). The builder credits the rebate amount against the \$212,000 and the purchaser pays the remaining \$207,680. In this example, the consideration payable for the unit is \$200,000 (\$212,000 less tax of \$12,000).
Stated price net of rebate	(b) The second is for the builder and the purchaser to agree that the stated price for the unit includes the tax payable and is net of the new housing rebate credited by the builder. To calculate the rebate amount, the builder must first determine the tax payable. To calculate the tax payable in this situation, the builder must determine the value of the consideration for the purchase of the unit.

6. The remainder of this memorandum is concerned with this second situation and explains how to calculate the value of the consideration payable for the purchase of a unit, the tax payable and the amount of the rebate where the stated price for a unit includes the tax payable and is net of the new housing rebate credited by the builder. This situation is referred to as stated price net of rebate.

Value of Consideration

Meaning of "consideration"

7. The "consideration" payable for the purchase of a unit is the amount to be paid for the unit before any calculation of the tax payable and rebate entitlement in respect of the purchase of the unit. If the builder and the purchaser agree to use a stated price net of rebate for the unit, the rebate amount credited by the builder must be considered in determining the value of the consideration payable for the unit upon which the tax is payable.

Calculation required

8. Therefore, where a stated price net of rebate is used, a calculation must be made to determine the value of the consideration payable for the unit. The value of the consideration must be calculated before the tax payable can be determined. Similarly, the tax payable must be calculated before the amount of the rebate can be determined.

Calculating the value of the consideration: the rebate factor

Rebate factor

9. The value of the consideration payable for a unit can be determined in those cases where a stated price net of rebate is used by applying a "rebate factor". The rebate factor accounts for the fact that the stated price net of rebate reflects the rebate amount credited by the builder. In most cases, the rebate factor is expressed as a percentage.

Calculating the rebate factor

10. The rebate factor where the consideration payable for the unit is \$350,000 or less is calculated as follows:

Consideration for the purchase	100.00%
Plus: tax payable (GST)	<u>6.00%</u>
Tax-included price	106.00%
Less: GST rebate (36% of 6%)	<u>(2.16%)</u>
Rebate factor	103.84%

The rebate factor can be expressed as 103.84% or 1.0384.

11. The rebate factor calculated above can only be used where the stated price net of rebate for the unit is \$363,440 or less. See Case 2 in the Appendix for stated prices net of rebate that exceed \$363,440.

Applying the rebate factor

12. The rebate factor can be used in the following formula to determine the value of the consideration payable for a unit:

$$\text{Consideration} = \text{Stated price net of rebate} \div \text{Rebate factor.}$$

19.3.1.1 Stated Price Net of Rebate

Example 13. To determine the value of the consideration payable for a unit with a stated price net of rebate of \$200,000, the rebate factor is applied as follows:

$$\begin{aligned}\text{Consideration} &= \text{Stated price net of rebate} \div \text{Rebate factor} \\ &= \$200,000 \div 103.84\% \\ &= \$192,604.01\end{aligned}$$

Once the value of the consideration is determined, the amount of the tax payable and the amount of the new housing rebate may be determined as follows:

$$\begin{aligned}\text{Tax payable} &= \text{Consideration} \times 6\% \\ &= \$192,604.01 \times 6\% \\ &= \$11,556.24\end{aligned}$$

$$\begin{aligned}\text{New housing rebate} &= \text{Tax payable} \times 36\% \\ &= \$11,556.24 \times 36\% \\ &= \$4,160.25\end{aligned}$$

Rebate factor changes 14. Where the value of the consideration payable for a unit exceeds \$350,000, the rebate factor changes. The different rebate factors are illustrated in the Appendix to this memorandum.

Tables and formulas found in Appendix 15. Tables listing the consideration, tax payable and the new housing rebate amounts for a range of stated prices net of rebate can be found in the Appendix to this memorandum. The Appendix also provides formulas to calculate the value of the consideration for stated prices net of rebate that are not listed in the tables.

Appendix

- Sample cases
- The following cases relate to the transfer of the GST new housing rebate under subsection 254(2) for units purchased from a builder together with the related land. The cases present the price range for different rebate factors for stated prices net of rebate. In each case, two methods are provided for determining the value of the consideration payable for a unit from which the tax payable and the GST new housing rebate may be determined.
- Calculation method
- The first method shown for each case is the calculation method. In each case, the calculation method is based on a formula that uses the rebate factor to arrive at the value of the consideration. To determine the appropriate formula that applies to a price situation, locate the case that contains a price range in which the stated price net of rebate for a unit falls. Applying the formula given to the stated price net of rebate of the unit gives the value of the consideration payable for the purchase of the unit for GST purposes. Once the value of the consideration has been determined, the tax payable and the rebate amount can be calculated.
- Table method
- The second method is the table method. The table method does the calculations for you for a range of prices. The tables show the value of the consideration, the tax payable and the rebate amount that result from a rebate factor being applied to a particular price. Where a price is not found in a table, you may use the “calculation method” to arrive at the value of the consideration, the tax payable and the rebate amount.
- Limitations
- Note that these formulas, rebate factors and tables are not meant to replace the legislation pertaining to GST new housing rebates. They are provided solely for convenience to assist you in calculating the value of the consideration, the tax payable and the rebate amount.
 - Also note that the tables and formulas given in this Appendix apply to rebates of GST only. They do not apply to rebates of the federal component of the HST in the participating provinces. To calculate the value of the consideration, the tax payable and the rebate amount when the stated price is net of the rebate of the federal component of the HST, see Memorandum 19.3.8, New Housing Rebates and the HST.

List of cases

- Case 1
- Case 1 provides the calculation and the table where the stated price net of rebate is \$363,440 or less.
- Case 2
- Case 2 provides the calculation and the table where the stated price net of rebate is greater than \$363,440, but less than or equal to \$477,000. There is no calculation or table where the stated price (tax-included) is more than \$477,000 since there is no new housing rebate available.

19.3.1.1 Stated Price Net of Rebate

Case 1: Stated price net of rebate of the unit is \$363,440 or less

CALCULATION METHOD

Consideration = Stated price net of rebate ÷ 1.0384 (see paragraph 10)¹

Tax payable = Consideration × 0.06 (or 6%)

GST new housing rebate = 36% of tax payable (to a maximum of \$7,560)

TABLE METHOD

Stated Price Net of Rebate	Consideration	GST Payable	GST New Housing Rebate
\$50,000	\$48,151.00	\$2,889.06	\$1,040.06
\$55,000	\$52,966.10	\$3,177.97	\$1,144.07
\$60,000	\$57,781.20	\$3,466.87	\$1,248.07
\$65,000	\$62,596.30	\$3,755.78	\$1,352.08
\$70,000	\$67,411.40	\$4,044.68	\$1,456.09
\$75,000	\$72,226.50	\$4,333.59	\$1,560.09
\$80,000	\$77,041.60	\$4,622.50	\$1,664.10
\$85,000	\$81,856.70	\$4,911.40	\$1,768.10
\$90,000	\$86,671.80	\$5,200.31	\$1,872.11
\$95,000	\$91,486.90	\$5,489.21	\$1,976.12
\$100,000	\$96,302.00	\$5,778.12	\$2,080.12
\$105,000	\$101,117.10	\$6,067.03	\$2,184.13
\$110,000	\$105,932.20	\$6,355.93	\$2,288.14
\$115,000	\$110,747.30	\$6,644.84	\$2,392.14
\$120,000	\$115,562.40	\$6,933.74	\$2,496.15
\$125,000	\$120,377.50	\$7,222.65	\$2,600.15
\$130,000	\$125,192.60	\$7,511.56	\$2,704.16
\$135,000	\$130,007.70	\$7,800.46	\$2,808.17
\$140,000	\$134,822.80	\$8,089.37	\$2,912.17
\$145,000	\$139,637.90	\$8,378.27	\$3,016.18

¹ The formula to determine the value of the consideration for Case 1, where P is the stated price net of rebate and C is the value of the consideration payable, was derived as follows:

$$P = C + \text{tax payable} - \text{GST new housing rebate}$$

$$P = C + (6\% \times C) - (36\% \times (6\% \times C))$$

$$P = C + 0.06C - (0.36 \times 0.06C)$$

$$P = C + 0.06C - 0.0216C$$

$$P = 1.0384C$$

$$C = P \div 1.0384$$

19.3.1.1 Stated Price Net of Rebate

Stated Price Net of Rebate	Consideration	GST Payable	GST New Housing Rebate
\$150,000	\$144,453.00	\$8,667.18	\$3,120.18
\$155,000	\$149,268.10	\$8,956.09	\$3,224.19
\$160,000	\$154,083.20	\$9,244.99	\$3,328.20
\$165,000	\$158,898.31	\$9,533.90	\$3,432.20
\$170,000	\$163,713.41	\$9,822.80	\$3,536.21
\$175,000	\$168,528.51	\$10,111.71	\$3,640.22
\$180,000	\$173,343.61	\$10,400.62	\$3,744.22
\$185,000	\$178,158.71	\$10,689.52	\$3,848.23
\$190,000	\$182,973.81	\$10,978.43	\$3,952.23
\$195,000	\$187,788.91	\$11,267.33	\$4,056.24
\$200,000	\$192,604.01	\$11,556.24	\$4,160.25
\$205,000	\$197,419.11	\$11,845.15	\$4,264.25
\$210,000	\$202,234.21	\$12,134.05	\$4,368.26
\$215,000	\$207,049.31	\$12,422.96	\$4,472.27
\$220,000	\$211,864.41	\$12,711.86	\$4,576.27
\$225,000	\$216,679.51	\$13,000.77	\$4,680.28
\$230,000	\$221,494.61	\$13,289.68	\$4,784.28
\$235,000	\$226,309.71	\$13,578.58	\$4,888.29
\$240,000	\$231,124.81	\$13,867.49	\$4,992.30
\$245,000	\$235,939.91	\$14,156.39	\$5,096.30
\$250,000	\$240,755.01	\$14,445.30	\$5,200.31
\$255,000	\$245,570.11	\$14,734.21	\$5,304.31
\$260,000	\$250,385.21	\$15,023.11	\$5,408.32
\$265,000	\$255,200.31	\$15,312.02	\$5,512.33
\$270,000	\$260,015.41	\$15,600.92	\$5,616.33
\$275,000	\$264,830.51	\$15,889.83	\$5,720.34
\$280,000	\$269,645.61	\$16,178.74	\$5,824.35
\$285,000	\$274,460.71	\$16,467.64	\$5,928.35
\$290,000	\$279,275.81	\$16,756.55	\$6,032.36
\$295,000	\$284,090.91	\$17,045.45	\$6,136.36
\$300,000	\$288,906.01	\$17,334.36	\$6,240.37
\$305,000	\$293,721.11	\$17,623.27	\$6,344.38
\$310,000	\$298,536.21	\$17,912.17	\$6,448.38
\$315,000	\$303,351.31	\$18,201.08	\$6,552.39

19.3.1.1 Stated Price Net of Rebate

Stated Price Net of Rebate	Consideration	GST Payable	GST New Housing Rebate
\$320,000	\$308,166.41	\$18,489.98	\$6,656.39
\$325,000	\$312,981.51	\$18,778.89	\$6,760.40
\$330,000	\$317,796.61	\$19,067.80	\$6,864.41
\$335,000	\$322,611.71	\$19,356.70	\$6,968.41
\$340,000	\$327,426.81	\$19,645.61	\$7,072.42
\$345,000	\$332,241.91	\$19,934.51	\$7,176.43
\$350,000	\$337,057.01	\$20,223.42	\$7,280.43
\$355,000	\$341,872.11	\$20,512.33	\$7,384.44
\$360,000	\$346,687.21	\$20,801.23	\$7,488.44
\$363,440	\$350,000.00	\$21,000.00	\$7,560.00

Case 2: Stated price net of rebate of the unit is greater than \$363,440 but less than or equal to \$477,000

CALCULATION METHOD

$$\text{Consideration} = (\text{Stated price net of rebate} + \$34,020) \div 1.1356^2$$

$$\text{Tax payable} = \text{Consideration} \times 0.06 \text{ (or 6\%)}$$

$$\text{GST new housing rebate} = \$7,560 - (E \times 0.0756)$$

where *E* = the consideration in excess of \$350,000 (Note: The rebate gradually decreases based on the consideration in excess of \$350,000.)

TABLE METHOD

Stated Price Net of Rebate	Consideration	GST Payable	GST New Housing Rebate
\$365,000	\$351,373.72	\$21,082.42	\$7,456.15
\$370,000	\$355,776.68	\$21,346.60	\$7,123.28
\$375,000	\$360,179.64	\$21,610.78	\$6,790.42
\$380,000	\$364,582.60	\$21,874.96	\$6,457.56

² The formula to determine the value of the consideration for Case 2, where P is the stated price net of rebate and C is the value of the consideration, was derived as follows:

$$P = C + \text{tax payable} - \text{GST new housing rebate}$$

$$P = C + (6\% \times C) - \{[(\$450,000 - C) \div \$100,000] \times \$7,560\}$$

$$P = C + 0.06C - \{[\$4.5 - (C \div \$100,000)] \times \$7,560\}$$

$$P = 1.06C - \$34,020 + (\$7,560 \times C \div \$100,000)$$

$$P = 1.06C - \$34,020 + 0.0756C$$

$$P = 1.1356C - \$34,020$$

$$\mathbf{C = (P + \$34,020) \div 1.1356}$$

19.3.1.1 Stated Price Net of Rebate

Stated Price Net of Rebate	Consideration	GST Payable	GST New Housing Rebate
\$385,000	\$368,985.56	\$22,139.13	\$6,124.69
\$390,000	\$373,388.52	\$22,403.31	\$5,791.83
\$395,000	\$377,791.48	\$22,667.49	\$5,458.96
\$400,000	\$382,194.43	\$22,931.67	\$5,126.10
\$405,000	\$386,597.39	\$23,195.84	\$4,793.24
\$410,000	\$391,000.35	\$23,460.02	\$4,460.37
\$415,000	\$395,403.31	\$23,724.20	\$4,127.51
\$420,000	\$399,806.27	\$23,988.38	\$3,794.65
\$425,000	\$404,209.23	\$24,252.55	\$3,461.78
\$430,000	\$408,612.19	\$24,516.73	\$3,128.92
\$435,000	\$413,015.15	\$24,780.91	\$2,796.05
\$440,000	\$417,418.10	\$25,045.09	\$2,463.19
\$445,000	\$421,821.06	\$25,309.26	\$2,130.33
\$450,000	\$426,224.02	\$25,573.44	\$1,797.46
\$455,000	\$430,626.98	\$25,837.62	\$1,464.60
\$460,000	\$435,029.94	\$26,101.80	\$1,131.74
\$465,000	\$439,432.90	\$26,365.97	\$798.87
\$470,000	\$443,835.86	\$26,630.15	\$466.01
\$475,000	\$448,238.82	\$26,894.33	\$133.15
\$477,000	\$450,000.00	\$27,000.00	\$0.00

ENQUIRIES

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1-800-959-8287 (English service)

1-800-959-8296 (French service)

General enquiries about the GST/HST should be directed to Business Enquiries at one of the following toll-free numbers:

1-800-959-5525 (English service)

1-800-959-7775 (French service)

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1-800-567-4692 (Revenu Québec)

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