



TaxNewsFlash

Canada

Builders — Can Your Buyers Claim the New GST Rebate?

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Builders of new homes across Canada must determine whether the sales of these homes may qualify for the new GST rebate available to eligible first-time home buyers. Finance released legislative proposals on May 27, 2025 to enact this temporary new GST rebate, which will effectively remove the GST on qualifying new homes valued up to \$1 million, and reduce GST on eligible new homes valued between \$1 million and \$1.5 million, effective for purchase and sale agreements entered into by first-time home buyers after May 26, 2025 and before 2031. Note that the new GST relief is also available on certain transactions where an eligible individual builds or substantially renovates an eligible home.

Builders of new homes, particularly those that factor eligible GST housing rebates into their pricing, should review these proposals to determine how they are affected by these rules and to limit related tax challenges. Although the proposals appear to allow an individual to submit an application to a builder to claim this rebate, the CRA has not yet provided details on how it intends to administer these rules. As a result, builders should take steps now to understand who qualifies as an eligible first-time home buyer, the types of new homes that may qualify under the new GST rebate, as well as the various restrictions for agreements entered into before May 27, 2025.

Background

The current GST/HST rules offer new housing rebates which allow certain buyers to recover some of the GST (or the federal part of the HST) paid for qualifying new or substantially renovated homes and residential rentals when certain conditions are met, including the maximum home values (e.g., \$350,000 for new homes, with the rebate phased out for new homes valued between \$350,000 and \$450,000) that have remained the same for years. With the significant increase of new home prices over the years,

many new home sale transactions do not qualify for any of the current GST new housing rebates as these transactions exceed the maximum home values thresholds under these existing rebates. A few provinces also offer specific tax housing rebates that have their own rules and conditions.

In its 2025 election platform, Canada's newly elected government promised to eliminate the GST for eligible first-time home buyers on qualifying homes valued at or under \$1 million. At the time of the announcement, only general guidance was released.

Details on the new GST relief

Builders that sell homes must understand the various details of the temporary new GST rebate for eligible first-time home buyers. As a result, these builders have to determine how the new GST rebate may apply to the homes they sell and whether individuals that buy these homes qualify as "first-time home buyers".

Generally, the new rebate applies for the GST (or only for the federal part of the HST) that an eligible first-time home buyer pays for a qualifying new home, among other conditions. The new relief essentially extends the current GST new housing rebate to 100% of the GST, or of the federal component of the HST, on the purchase of new eligible homes by qualifying individuals.

Who qualifies as a first-time home buyer?

In order to assess whether an individual is eligible for the new GST rebate, builders must first determine whether the individual qualifies as a "first-time home buyer". In general, an individual may qualify as a first-time home buyer if they meet all of the following conditions:

- The individual is 18 years of age or older
- The individual is a Canadian citizen or a permanent resident under the *Immigration and Refugee Protection Act*
- The individual did not occupy a residential unit they owned, or that was owned by their spouse or common-law partner, in or outside Canada, as their primary place of residence, in the immediate last four preceding calendar years and current calendar year.

Once an individual qualifies as a first-time home buyer, the entire transaction must be reviewed to determine if the particular individual and any other parties to the transactions, and the new home, meet all the other conditions of the new GST rebate.

What other conditions apply for the new GST rebate?

The legislative proposals provide that individuals that qualify as “first-time home buyers” may be eligible for the new GST rebate where they, among other conditions:

- Qualify for one of the current GST new housing rebates, except for the existing maximum value thresholds (e.g., the new housing rebate for a purchased home, a new housing rebate for a building only, a cooperative housing rebate, or a rebate for owner-build home)
- Buy a qualifying new home that has a value that does not exceed \$1 million (the new rebate is phased out for qualifying homes valued between \$1 million and \$1.5 million)
- Acquire the residential complex for use as their primary place of residence
- Enter into the agreement of purchase and sale after May 26, 2025, and before 2031
- Take ownership of the new home (i.e., ownership is transferred to the individual) before 2036.

Note that the new GST rebate can only be claimed once during the lifetime of the particular first-time home buyer or their spouse.

Similar rules apply for first-time home buyers who build or substantially renovate eligible homes.

Existing agreements

Builders and first-time home buyers are generally not allowed to adjust existing agreements to benefit from the new GST rebate. Specifically, based on the legislative proposals, where a first-time home buyer and a builder entered into an agreement of sale before May 27, 2025, and they cancel, vary or alter that agreement after May 26, 2025, such that a “new” agreement is considered to be entered into after May 26, 2025, the proposals deem the “new” agreement of sale to have been entered into before May 27, 2025. As such, the “new” agreement will still not qualify for the new GST rebate.

KPMG observation

Builders should ensure they have the proper safeguards in place to determine if their transactions qualify for the new GST rebate.

As part of their analysis, some builders may now have to refresh their understanding of these existing new housing rebates. For example, some builders do not consider the current new housing rebates in their pricing because they build new homes that exceed the current maximum value thresholds of these rebates. Since the maximum home

values set under the newly proposed GST rebate for eligible first-time home buyers is \$1 million, some builders may have to reconsider the conditions of the current new housing rebates, because the proposals for the new GST rebate refer to some of these existing conditions. Builders should ensure that they understand both the current and the new rules to manage the cost of potential errors that can add up quickly.

In addition, builders will have to carefully review each transaction to ensure, among other things, that first-time home buyers or their spouses have not previously claimed the new GST rebate.

It is worth noting that the effective date of the new GST rebate for first-time home buyers is May 27, 2025, and not March 20, 2025 when the government originally announced its intent to introduce such a rebate. As a result, builders must be aware that purchase and sale agreements for new homes entered into with first-time home buyers before May 27, 2025 will not qualify for the proposed new GST rebate.

While the proposed new GST rebate applies for qualifying agreements signed after May 26, 2025, it is not yet clear how the CRA will administer the new rebate. For example, there is no detail currently available on if, how, or when builders may be able to apply the eligible new GST rebate to new home transactions with qualifying first-time home buyers. While the CRA may administer proposed measures based on their effective dates, it may only pay out rebates and refunds once the related legislative measures are adopted into law. Builders will have to carefully follow the progress of these legislative proposals, and any related guidance and new or updated rebate forms released by the CRA.

Further, builders with long-term residential building projects, such as large condo towers, should also consider whether their transactions with first-time home buyers may be delayed past the 2036 deadline for ownership transfers. In such cases, these transactions may not qualify for the temporary new GST rebate.

We can help

Your KPMG adviser can help you assess the effect of these new developments. For more details, contact your KPMG adviser.

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