



GMS Flash Alert



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Canada - Ontario Expands Foreign Home-Buyers Tax

The province of Ontario has increased its nonresident speculation tax (NRST), which applies to certain foreign buyers of Ontario homes, from 15 percent to 20 percent of the purchase price, effective March 30, 2022.¹

WHY THIS MATTERS

With the elimination of the NRST rebates for certain foreign nationals working in Ontario for a continuous period of at least one year, long-term assignees who may want to purchase a home while on assignment in Canada will now be subject to the 20-percent NRST tax without relief unless they obtain Canadian permanent residency status.

Details

The NRST now applies to all residential properties across Ontario that are purchased by foreign nationals, foreign corporations, and taxable trustees. Previously, the tax only applied to homes acquired in the Greater Golden Horseshoe Area, which includes Toronto and other heavily populated regions in Southern Ontario. The province has also announced that it is eliminating the NRST rebates for international students and foreign nationals working in Ontario, and has released transitional rules for the tax changes. Note that the NRST is in addition to Ontario's land transfer tax that generally applies to the purchase of residential properties.

Ontario's NRST is payable when a foreign national, foreign corporation, or a taxable trustee (i.e., a trustee of a trust with either a foreign trustee or a foreign beneficiary) purchases or acquires designated land in Ontario. The tax is now 20 percent of the value of the consideration for the designated land. Designated land is generally land that contains at least one and not more than six single-family residences.

The NRST does not apply to a trustee of certain types of trusts as defined in the federal Income Tax Act: a mutual fund trust, a real estate investment trust (REIT), or a specified investment flow-through trust (SIFT trust).

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Ontario exempts the following categories of individuals from the tax, if certain conditions are met:

- Protected persons under the Immigration and Refugee Protection Act (Canada).
- Nominees under the Ontario Immigrant Nominee Program.
- Purchasers who jointly acquire the designated land with a spouse who is a Canadian citizen, permanent resident of Canada, protected person, or nominee.

NRST rebates are still available for foreign nationals who become permanent residents of Canada within four years of purchasing or acquiring their home, where certain conditions are met. Previously, the NRST rebate was also available for certain foreign nationals working in Ontario for a continuous period of at least one year and international students enrolled in an approved institution for at least two years from the date of purchase or acquisition. Ontario has provided transitional rules for these former rebates.

FOOTNOTE:

1 See "[Ontario expands foreign home buyers tax](#)," in *TaxNewsNow* (April 5, 2022), a publication of the KPMG International member firm in Canada.

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Contact us

For additional information or assistance, please contact your local GMS or People Services professional or the following professional with the KPMG International member firm in Canada:



Sonia Gandhi
Tax Partner – National and Toronto
Practice Leader
Tel. +1-416-549-7870
soniagandhi@kpmg.ca

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