



TaxNewsFlash

Canada

Builders — Tackling GST/HST Rebates and Housing Markets

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Home builders across Canada are facing tough housing market conditions together with GST/HST challenges. The soft housing market and the need for housing have motivated the federal and provincial governments to try stimulating new home construction. The federal government recently enacted measures related to the new federal First-Time Home Buyers' (FTHB) rebate and the Purpose-Built Rental Housing (PBRH) rebate for student residences. Ontario also proposed several changes to provincial housing rebates, including the temporary enhancement of the Ontario HST rebate for eligible buyers of new homes and new residential rental properties, and a temporary Ontario FTHB rebate. Current housing market conditions are causing some home buyers to default on their purchase agreements and forfeit their deposits and also causing certain builders to convert units from for-sale inventory to rental housing. These market responses can cause builders to face additional GST/HST challenges by triggering specific tax obligations and additional tax costs. Builders must quickly adjust their processes to all these tax measures and market changes, while carefully assessing the impact on their GST/HST obligations, rules and deadlines.

It's important to note that Ontario is eliminating its HST rebate for new homes and new residential rental properties in 2027.

This *TaxNewsFlash-Canada* provides a summary of the following GST/HST rebates and challenges related to the new housing industry:

- Ontario new housing rebates

- Proposed enhanced HST new housing and new residential rental rebates
- Planned elimination of current \$24,000 Ontario rebates on April 1, 2027
- Purpose-built rental housing (PBRH) rebates – Enhanced landlord rebates
 - Federal PBRH rebate
 - Provincial PBRH rebate
- First-Time Home Buyers' (FTHB) rebates
 - Federal FTHB rebate
 - Proposed Ontario FTHB rebate
- Current housing market and related indirect tax challenges
 - Builders renting instead of selling new units – Self-assessment obligations
 - Parties terminating sales agreements – Self-assessment obligations

KPMG Indirect Tax professionals can help builders identify indirect tax risks arising from changes to their business plans and building projects, evaluate eligibility for available housing rebates and navigate related deadlines, and support their tax filing positions with appropriate analysis and documentation.

Background

Home builders are subject to various indirect tax rules that differ between GST/HST taxable transactions (e.g., sales of new homes) and GST/HST exempt activities (e.g., long-term residential rentals). Builders who convert projects from “for sale” new units to rental units, or who build and rent new residential rental units face GST/HST self-assessment tax rules, among other tax obligations. In some cases, builders may qualify for one of the GST/HST new residential rebates. Builders who understand the various current and proposed new residential rebates and all the related deadlines and conditions may be able to benefit from government incentives that help reduce the costs of unrecoverable GST/HST for themselves or their clients. Understanding the GST/HST rules can also help builders assess additional GST/HST costs of some unforeseen transactions arising from current housing market conditions.

Ontario new housing rebates

Proposed enhanced HST new housing and new residential rental property rebates

Certain builders' operations will benefit from Ontario's proposed enhanced HST New Housing Rebate and New Residential Rental Property Rebate. Ontario recently proposed, in conjunction with the federal government, a new cost-sharing arrangement that provides a temporary one-year enhanced maximum \$130,000 HST rebate for eligible home buyers who acquire new homes as their primary place of residence and enter into a purchase and sale agreement after March 31, 2026 and before April 1, 2027, among other conditions.

Background

This new measure expands on the current \$24,000 Ontario new housing or residential rental property rebates. In particular, Ontario offers eligible new home buyers who meet certain conditions an HST New Housing Rebate or a New Residential Rental Property Rebate of 75% of the provincial portion of the HST, up to a maximum rebate of \$24,000 on purchases ("current \$24,000 provincial rebate").

Ontario released "Backgrounder: Eligibility for Ontario's Expanded HST Relief on New Homes" (Backgrounder) that provides additional details on criteria and deadlines related to the proposed enhanced rebates.

Important dates for Ontario's enhanced new housing rebates

Based on the Backgrounder, for new homes purchased from builders, eligible buyers may qualify for the proposed enhanced new housing rebate if they meet the following two conditions, among other rules:

- The agreement of purchase and sale for the new home is entered into with the builder between on or after April 1, 2026 and on or before March 31, 2027
- The construction of the new home began on or before December 31, 2028, and is substantially completed on or before December 31, 2031.

For owner-built homes, eligible owners may qualify for the proposed enhanced new housing rebate if they meet the following two conditions, among other rules:

- The construction of the home began on or after April 1, 2026 and on or before March 31, 2027
- The construction of the home is substantially completed on or before December 31, 2029.

Important dates for Ontario's enhanced new residential rental property rebate

The Backgrounder provides different rules for Ontario's proposed enhanced New Residential Rental Property Rebate depending on whether the construction of the property

began before April 1, 2026 or after March 31, 2026. For new residential rental properties where construction began before April 1, 2026, the proposed enhanced rebate is subject to various conditions, including:

- The new home must be an eligible single-unit home that is to be rented out to a long-term residential tenant (e.g., detached or semi-detached house, a condominium unit, a townhouse or a rowhouse)
- The agreement of purchase and sale for the home is entered into with the builder on or after April 1, 2026, and on or before March 31, 2027
- The construction of the home began before April 1, 2026 and is substantially completed on or before December 31, 2029.

For new residential rental properties where construction began on or after April 1, 2026, Ontario notes the following two conditions (among other rules):

- The construction of the residential property must have begun on or after April 1, 2026, and on or before March 31, 2027
- The construction of the residential property must be substantially completed on or before December 31, 2029.

The Ontario proposed enhanced HST rebates apply to the 13% HST on new homes valued at or under \$1 million. The maximum \$130,000 rebate applies to homes valued between \$1 million and \$1.5 million. For homes priced between \$1.5M and \$1.85M, the rebate will be subject to a linear reduction, down to the current \$24,000 provincial rebate. All other current eligibility criteria and rules of these two rebates continue to apply.

KPMG observations

Builders must carefully consider whether any of their housing projects fall under these two proposed enhanced rebates, including the criteria related to the start of the construction date. For example, based on the Backgrounder, the proposed enhanced Ontario New Residential Rental Property Rebate may apply more broadly if the construction of the residential property began after March 31, 2026. Further restrictive rebate criteria seems to apply if the construction of the property started on or before March 31, 2026. However, the Backgrounder does not specifically address self-assessment rules in some cases and related issues, and whether the enhanced rebates may apply in those circumstances.

Some of these items may be clarified when further details related to these Ontario proposed enhanced rebates are released (e.g., legislative text and rules, administrative guidance and filing details).

The CRA does not usually pay rebates until the related measures are law. Now that there is a majority federal government, the proposed measures may become law sooner rather than later. However, the CRA may release guidance before the measures are

enacted, similar to the guidance that was issued during the finalization process of the federal FTHB rebate. Builders should monitor for any further details released by the CRA related to Ontario's proposed enhanced HST rebates for new homes and residential rental properties.

As noted, Ontario is working with the federal government to enhance these two current housing rebates. The federal government released Bill C-26, which essentially authorizes the Minister of Finance to make payments to the provinces and territories up to a maximum of \$1.713 billion, for the purpose of improving housing supply. It appears that the 5% federal component of the Ontario enhanced rebates will be paid out of that fund. At this time, no other province has announced similar enhanced provincial rebates. It will be interesting to see if other provinces or territories will seek funding from the federal government for similar rebates.

Planned elimination of Ontario's current \$24,000 provincial rebates on April 1, 2027

Although builders may benefit from the enhanced rebate until March 31, 2027, they face further challenges under Ontario's 2026 budget measure that plans to eliminate the current maximum \$24,000 provincial new housing rebates and new residential rental property rebates on April 1, 2027. Ontario has indicated that it will provide further details on the elimination of these rebates in the Fall 2026 Ontario Economic Outlook and Fiscal Review.

For details on the Ontario budget, see *TaxNewsFlash-Canada* 2026-19 "[Highlights of the 2026 Ontario Budget](#)".

Purpose-built rental housing (PBRH) rebate – Enhanced landlord rebate

Builders should consider the federal and provincial PBRH rebate measures and all the related deadlines, conditions and guidance to determine if their projects qualify for these rebates, and if so, document their eligibility for future tax audits.

Federal PBRH rebate

The federal government's temporary enhanced 100% GST PBRH rebate intends to provide full relief of the GST or the federal component of the HST payable on qualifying new rental housing projects that meet specific eligibility criteria.

Background

The PBRH rebate was announced in the 2023 federal budget. The related measures became law on December 15, 2023. In general, the federal PBRH rebate essentially increases the 36% new residential rental property rebate to 100% of the GST for eligible housing projects that meet all of the conditions of the 36% rebate as well as other specific conditions for the PBRH rebate. As a reminder, the 36% new residential rental property rebate is generally limited to units with a fair market value (FMV) of up to \$350,000, with a linear phase-out of the rebate for units with a FMV between \$350,000

and \$450,000, among other conditions. These FMV thresholds do not apply for the federal PBRH rebate.

Recently, the federal government also enacted additional measures related to newly constructed student residences and cooperative housing corporations which are not discussed in this document.

Among other conditions, the temporary federal PBRH rebate generally applies to eligible newly constructed or converted rental housing, which may include:

- A building that includes four or more residential units, each of which must contain a private kitchen, a private bath and a private living area
- A residence for students, seniors and individuals with a disability with ten or more private rooms
- A commercial building that is converted to a qualifying residential complex.

The temporary federal GST PBRH rebate also includes rules related to the start of construction. The construction of the eligible new rental housing must have begun after September 13, 2023, but before 2031, and be substantially completed before 2036. The CRA has clarified that for the purpose of the new PBRH rebate, the start of the excavation work generally determines the day the construction began. Steps taken before the excavation started, such as project planning, design work, or obtaining permits, are irrelevant for purposes of determining the construction start date of the project for the temporary PBRH rebate purposes. The CRA guidance includes examples illustrating the application of the construction start test and confirms that a sale of the property during the construction period does not alter the original construction start date (i.e., generally at the time of the initial excavation).

PBRH rebates and multi-unit residential complex (MURC)

Considering the temporary federal PBRH rebate and recent condominium market conditions, some builders may reconsider some of their planned residential projects. Where commercially appropriate, builders may decide, before any construction begins, to change the designation of the new condominium complex to a multi-unit residential complex (MURC) and reapply for new construction permits. Builders may be eligible to claim the temporary PBRH rebate if they meet all the conditions. If a builder started a project as a strata condominium complex and later converted the project into a MURC, or where a partially built condominium complex is sold, the building may not qualify for the PBRH rebate if the related excavation work started before September 14, 2023.

Provincial PBRH rebates

The five HST-provinces, Ontario, Nova Scotia, Prince Edward Island, Newfoundland and Labrador and New Brunswick have also announced similar temporary PBRH rebates, some with different rules, maximum amounts, conditions, and eligible construction dates.

Builders with projects in these provinces should carefully review all the related provincial rules and conditions to determine if they are eligible for the provincial PBRH rebates. Quebec did not introduce such a rebate.

KPMG observations

The temporary federal PBRH rebate does not apply to buildings that are condominiums, even where the builder owns all the condominium units in the complex and intends to lease all units on a long-term basis.

The temporary PBRH rebate measures do not alter any of the existing self-supply rules. Builders remain subject to all applicable GST/HST rules related to the construction of a MURC project, including the obligation to determine the FMV and to self-assess and remit GST/HST (and QST if applicable) by the appropriate deadlines. Builders should ensure that eligible exclusions are not added to the FMV calculations. Builders with projects that qualify for the temporary PBRH rebate should ensure that they thoroughly document their eligibility for the rebate, including all relevant related project details (e.g., excavation start date), facts and timelines. Appropriate steps should be taken at an early stage to prepare and organize supporting documentation for rebate claims.

While the amounts of GST owed and the 100% GST PBRH rebate may be equal, builders are still required to separately report the self-assessed GST/HST and the eligible PBRH rebates. As noted previously, some of the provincial PBRH rebates have different rules and deadlines, and there is no PBRH rebate for QST purposes. Accordingly, it is important for builders to determine the FMV as required under the GST/HST and QST rules, including considering getting professional appraisals to support the amount of self-assessed GST/HST and QST. This is also particularly important in cases where a PBRH rebate may be denied. Builders must also ensure that PBRH rebate claims are filed within the applicable time limits. Errors in calculating and reporting tax and rebate amounts could result in significant tax assessments, interest and penalties.

If their projects do not qualify for the temporary PBRH rebates, builders should determine if other rebates may apply. While further guidance may be needed to make a determination, some builders with new housing projects in Ontario may qualify for the recently proposed temporary enhanced Ontario HST new residential rental property rebates if they meet all the related conditions, including the one-year enhancement period time limit and all the criteria related to the number of units and the construction dates.

First-Time Home Buyers' (FTHB) Rebates

Federal FTHB rebate

Builders of new homes must ensure that their systems capture all required purchaser information to accurately assess whether buyers and their new homes qualify for the new

federal FTHB GST rebate. This data is essential to support eligibility determinations and rebate claims.

Background

The federal FTHB GST rebate measure was announced in March 2025. These measures received Royal Assent on March 12, 2026. During the legislative process, the government amended the effective date to March 20, 2025 (from May 27, 2025).

In general, the FTHB rebate applies to purchase and sale agreements entered into after March 19, 2025 (extended from May 26, 2025), and before 2031, for a newly built qualifying home purchased from a builder by a qualifying “first-time home buyer” for use as their primary place of residence. Similar rules apply for a substantially renovated qualifying home. Under this new rebate, eligible home buyers may be entitled to claim 100% relief of the GST paid, or the federal portion of the HST paid, on qualifying new homes valued up to \$1 million. The rebate is subject to a linear reduction for qualifying homes valued between \$1 million and \$1.5 million, and is not available for new homes valued at \$1.5 million or more.

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.

KPMG observations

Sale and purchase agreements for new residential properties commonly address applicable taxes and housing rebates and, in certain cases, provide for home buyers to assign applicable rebates back to the builders. The CRA had confirmed that it would not process FTHB GST rebate claims prior to the legislative enactment and that builders were not permitted to credit the new FTHB GST rebate to qualifying home buyers at closing, where the ownership of the property was transferred before the rebate measures were enacted. Now that the measures have been enacted, the CRA website indicates that the processing of some FTHB rebates may be delayed, as their processes must be updated to accommodate purchase agreements signed between March 20, 2025 and May 26, 2025 (extended from May 27, 2025 during the enactment process). In light of the new FTHB GST rebate, home builders may want to review their existing projects and related sale and purchase agreements to determine whether the new

rebate may apply. Builders should consider any required changes to their tax calculations if home buyers assigned their rebates to them.

Proposed Ontario's FTHB rebate

Ontario's proposed temporary FTHB provincial rebate essentially mirrors the federal FTHB GST rebate and provides relief of the entire 8% provincial portion of the HST to qualifying first-time home buyers. The combination of the current Ontario HST new housing rebate and the proposed Ontario FTHB rebate will essentially eliminate the entire 8% provincial portion of the HST on qualifying homes.

Background

The proposed Ontario temporary FTHB provincial rebate was announced in Ontario's 2025 Fall Economic Update. At this time, the proposed Ontario FTHB measures are not enacted and must still be incorporated into the GST/HST legislation. Under the current Ontario HST new housing rebate, certain home buyers may be eligible to claim a rebate equal to 75% of the 8% provincial component of the HST, up to a maximum rebate of \$24,000 (i.e., current \$24,000 provincial rebate).

The proposed Ontario temporary FTHB rebate mirrors the federal definition of a qualifying first-time home buyer, price thresholds and other rules. In particular, the Ontario FTHB rebate is proposed for eligible first-time home buyers of qualifying newly built or substantially renovated homes valued up to \$1 million, with a linear reduction of the rebate for homes priced between \$1 million and \$1.5 million. Ontario announced in its 2026 budget that it would also adjust the effective date to March 20, 2025 (from May 27, 2025). Builders of new homes in Ontario must ensure that their processes capture all required home buyer and construction transaction details to determine whether home buyers qualify for the proposed Ontario FTHB rebate.

KPMG observation

Generally, the CRA does not pay rebates until the related measures are law. The CRA recently confirmed that it will begin to administer the Ontario FTHB rebates once the measures are enacted. However, as seen during the finalization of the federal FTHB rebate measures, the CRA may release some administrative guidance before the Ontario FTHB rebate measures are finalized.

It should be noted that during the enhancement period from April 1, 2026 to March 31, 2027 related to the recently announced Ontario temporary enhanced HST rebates for new housing and new residential rental properties, eligible new home buyers in Ontario may use these temporary enhanced rebates, rather than the proposed Ontario FTHB as the enhanced rebates apply more broadly with higher maximum price thresholds. While the CRA has also recently confirmed that it will administer the temporary enhanced Ontario housing rebates once the measures become law, some administrative guidance may be released before the measures are enacted, similar to the guidance issued during the finalization process of the federal FTHB rebate. Builders should monitor any further

details released by the CRA related to the proposed Ontario FTHB rebates and enhanced HST rebates for new housing and new residential rental properties.

Current housing market and related indirect tax challenges

Builders renting instead of selling new units — Self-assessment obligations

In response to current condominium market conditions, some builders of new residential condominium complexes are removing units from the for-sale market and are instead leasing them as long-term residential rentals. This usually triggers GST/HST self-assessment obligations. Builders must generally self-assess at the time the unit is leased. Affected builders must self-assess GST/HST based on the FMV of each unit rented and remit the tax to the CRA. Similar self-assessment rules apply for QST purposes.

In some cases, builders may be eligible to offset their GST/HST liability (self-assessed) by claiming a partial 36% federal GST new residential rental property rebate depending on their specific facts and circumstances and the FMV of the condominium units. However, this partial rebate is generally limited to units with a FMV of up to \$350,000, with a linear phase-out of the rebate for units with a FMV between \$350,000 and \$450,000. In addition, certain provinces offer similar rebates, with different rules and maximum thresholds.

KPMG observation

Based on the Backgrounder, it is currently unclear if builders may be able to claim the proposed enhanced Ontario rebates in some cases. As noted previously, Ontario proposes to temporarily enhance the Ontario HST new residential rental property rebate based on the HST on the property and up to a maximum of \$130,000, for an enhancement period from April 1, 2026 to March 31, 2027 for home up to \$1.5M. For homes priced between \$1.5M and \$1.85M, the rebate will be subject to a linear reduction, down to the current \$24,000 provincial rebate. However, the Backgrounder related to the proposed enhanced housing rebates does not specifically address HST generated from the self-assessment rules.

In addition, as noted previously, the CRA does not usually pay rebates until the related measures are law. At this time, certain details on the proposed enhanced Ontario rebates are still outstanding, including filing requirements and administrative processes. The CRA has recently confirmed that it will administer the proposed enhanced Ontario rebates only when the measures are enacted.

Parties terminating sale agreements — Self-assessment obligations

Home builders that terminate sale agreements can also face indirect tax challenges. Under certain circumstances, builders may allow home buyers to occupy condominium units before the sale transactions are completed. Where occupancy occurs and the sale agreement is later terminated, builders are generally required to self-assess and remit GST/HST based on the FMV of the condominium unit. Subsequent sales of these

previously occupied condominium units would generally qualify as GST/HST exempt supplies.

In other cases, home buyers may face financial difficulties before their closing dates and forfeit their original deposits, without ever occupying the units. Builders are generally required to calculate and remit GST/HST on these forfeited amounts.

Similar indirect tax rules generally apply for QST purposes.

KPMG observations

Builders involved in the construction, rental, and/or renovation of residential homes and complexes must carefully assess whether new home sales and new housing projects qualify for any current and proposed GST/HST rebates. They should also ensure they have the proper processes in place to address the various indirect tax rules. In the current housing market, which is causing some home builders to pivot from original business plans, home builders must be careful to meet all their tax compliance obligations. Indirect tax errors related to new home transactions, including missing key filing rebate and other deadlines, can compound quickly and result in significant GST/HST costs, assessments, interest and penalties.

We can help

Your KPMG adviser can help you manage the impact of the new and proposed federal and provincial new residential rebates, related GST/HST obligations and upcoming deadlines, that may affect your business. We can also keep you abreast of new related regulations and guidance as they are released, as well as the progress of any related proposals as they make their way into law. For details, contact your KPMG adviser.

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