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## **B.C.'s new-home buyers take double blow with high prices, six-per-cent GST**

### **36-per-cent rebate on tax applicable only if house costs less than \$350,000**

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The high price of new houses in British Columbia means buyers are out of pocket in two ways: First, because of the high prices themselves; second because almost all now have to pay the six-per-cent goods and services tax.

GST is payable on the purchase of a new home, but a rebate kicks in for houses under \$450,000. The size of the rebate depends on the price of the house, with homebuyers entitled to a 36-per-cent refund if the house costs less than \$350,000. Once the \$350,000 threshold is reached, the amount of the rebate dwindles to zero as the price nears \$450,000.

The aim of the GST rebate program was to help middle- and low-income purchasers in every region of the country, said David Gamble, spokesman with the federal finance department.

But in B.C., most new single-family homes now cost more than \$350,000, so the average low- or middle-income buyer is hit with a big GST bill, according to Peter Simpson, CEO of the Greater Vancouver Home Builders' Association.

The association has been lobbying the federal government to revisit the thresholds that were put in place when the GST was implemented in 1991. At the time, only 25 per cent of new homes in Vancouver cost more than \$350,000. Now almost all of them do, Simpson said.

According to numbers from the Canada Mortgage and Housing Corp., between January and May this year, 97.5 per cent of new homes in Vancouver cost more than \$350,000. What's of even more concern to Simpson is that the same is now true elsewhere in the province, with almost 90 per cent of new homes in Abbotsford and Victoria, and more than half of the homes in Kelowna and Nanaimo, above \$350,000.

So moving outside Vancouver to find affordable housing is no longer an option, Simpson said.

Cities in the province take six of the top-10 spots in CMHC's national numbers for new houses costing more than \$350,000. Calgary, despite its blistering hot real estate market, doesn't even make it into the top 10, having only 25 per cent of its new homes above the threshold.

When the GST was put in, the government promised to review the threshold levels every two years and make adjustments as necessary, Simpson said. But there has been significant changes in the housing market since, and no adjustments, he added.

"We're extremely grateful for the one-per-cent drop [in GST implemented in July],

but along with that [the government] needs to take a good look at the rebate thresholds and make adjustments, like they promised, to reflect areas of high housing costs," Simpson said.

Gamble said his department has been reviewing the thresholds. "Finance officials will continue to monitor the situation and any recommended changes will be considered in the context of assessing fiscal priorities," Gamble said.

But Gamble wouldn't say whether any recommendations to change the thresholds had been made to the minister, saying such information would not be public. It would be up to cabinet to change the thresholds, he said.

Gamble said analysts concluded that housing affordability remains relatively healthy in most markets.

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