

GST will effect new house market

By FRED DUCK, CA

In spite of loud public outcries, there's every chance that the unpopular Goods and Services Tax is about to become law.

And come January 1 next year, virtually every product and service in the land will carry this far-reaching new levy.

One area sure to feel the GST impact is the new housing market.

Although, in fairness, the 7 per cent GST shouldn't be any worse than the present federal sales tax of between 9 and 13.5 per cent it's

designed to replace - and which is built in to new house prices.

The plus side is that many buyers will collect a tax rebate. How big a rebate depends on the price paid. On houses up to \$350,000 the rebate amounts to 2.5 per cent (\$8,750), but reduces as the price increases to \$450,000 - when it disappears altogether.

The nice thing is that the rebate is instantaneous. No forms to fill out, no applications and no waiting. The seller simply deducts the relevant rebate at time of sale.

In Finance Department logic, the purpose of the rebate is to even out the actual tax payable, so that buyers will pay roughly the same amount in GST as they do now in federal sales tax.

Unfortunately, the GST doesn't apply only to newly constructed houses. It also applies to older properties that have been substantially renovated - that is to the point where structural changes are made. So adding a storey or an extension to an existing house means GST must be paid.

Two service areas falling into the GST net, and which affect prices, are legal fees and real estate commissions. So, although real estate commissions don't apply when you're buying, lawyers fees certainly do.



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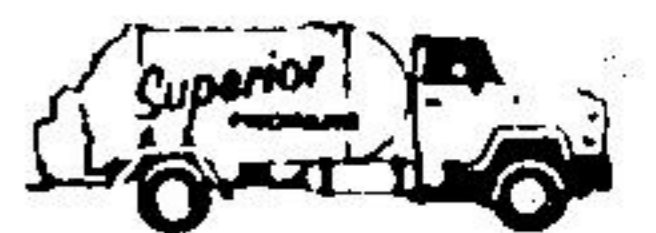
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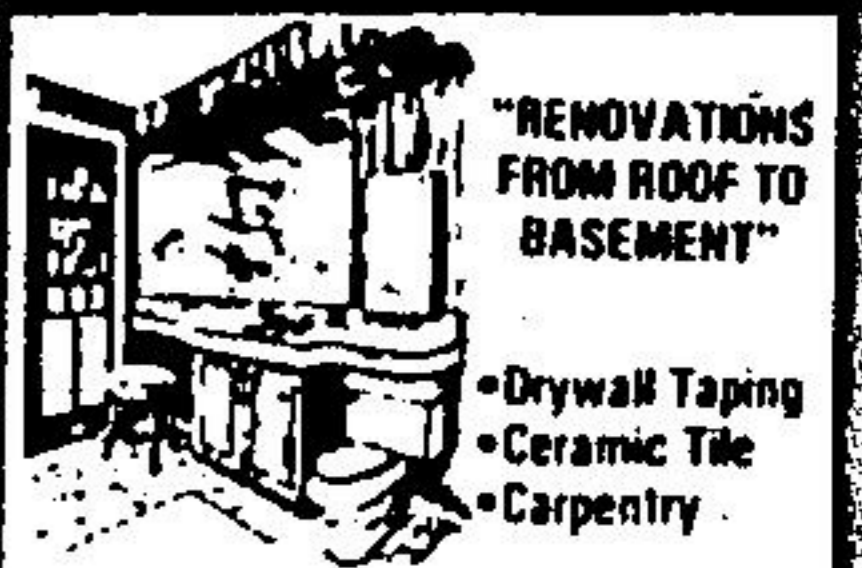
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