New tax will not apply to all real estate service

This article is provided by local Realtors and the Ontario Real Estate Association (OREA) for the benefit of consumers in the real estate market.

If you're in the market for a new home, you should keep in mind that Federal Sales Tax will be a thing of the past after January 1, 1991. It will be replaced by the Goods and Services Tax (GST).

Although the new tax will be collected at a rate of seven per cent on the sale price of goods and services, it doesn't apply to every type of home or every form of real estate service.

The following information outlines how the new tax will work in the housing market.

NEW HOMES

When you buy a newly constructed home, condominium or townhome, the entire purchase price - including the land - is taxable. In southern Ontario, where land values are particularly high, new home buyers will end up paying significantly more GST than the Federal Sales Tax it replaces.

If you want to rent your new property to tenants, the full seven per cent GST is charged on the purchase price. However, if the home is going to be your primary residence, it may qualify for a partial GST rebate, depending upon the sale price.

For homes costing \$350,000 or less, you will receive a rebate of 36 per cent of the GST paid - to a maximum of \$8,750. This means you pay approximately 4.5 per cent GST (not seven per cent) on the purchase price.

RESALE HOMES

You don't have to pay GST on the purchase price of a used residential home. In other words, the purchase is exempt from

Revenue Canada defines "used residential property" to include an owner-occupied house, condominium, apartment, summer cottage, vacation property or

non-commercial hobby farm. They refer to "used" as residential property that was occupied as a residence before you bought

Used property can also mean a recently built house that is substantially complete and has been sold at least once before you buy it. For example, if a new house is purchased and resold before being occupied, the home's resale price will normally be exempt from GST.

An owner-occupied home is considered a residential property when it's used primarily as your residence. So, if you are selfemployed and purchase a resale home that includes a room used as an office, the entire home still qualifies for the GST exemption.

However, if your owneroccupied home is not used mainly for residential purposes (for example, a retail store with a small apartment upstairs), on the residential portion is exempt from GST on resale. The nonresidential portion of the purchase price is taxable.

If you are planning to purchase a resale home, the setler can supply you with a certificate stating the property qualifies as "used" for GST purposes.

As with most taxes, there are exceptions to the GST rules regarding resale housing. For instance, most sales of real property by charities, non-profit organizations and other public service agencies are exempt from GST. Contact your realtor for additional information.

THE REAL ESTATE TRANSACTION

GST applies to most of the services provided in completing the real estate transaction. For example, seven per cent GST is applied to the commission a realtor charges for facilitating a sale. The tax is paid by the person responsible for paying the commission - usually the seller.

Realtor commissions are tax-

able even if the total GST owed is reduced by a rebate, or the sale of the property is exempt from GST. For example, if you sell a used home, the sale price is exempt from GST, but the realtor's commission is still taxable.

GST applies to many other services involved in the real estate transaction. These include fees for appraisals, referrals, surveys and legal assistance. Again, GST is charged on these fees regardless of whether the house you purchase is exempt from the

One exception is that mortgage broker fees are exempt from GST if the fees are charged separately from any taxable real estate commissions. Additionally, mortgages and interest on mortgages are GST exempt.

WHEN PAYABLE

GST is normally due and payable when the real estate transaction is completed. This is usually referred to as the "closing date."

- For buyers, GST owed on the purchase price of non-exempt property, as well as fees and commissions for professional services, is paid at closing.

- For sellers, GST owed on fees and commissions for professional services is paid at closing.

Carpet care

Homeowners purchasing new stain-resistant carpets can expect their floor-covering to keep its original beauty for years, providing they give it regular vacuuming, remove spills promptly and have the carpet cleaned professionally according to Chris Ramdohr, owner of Dry Carpet Care in Brampton. Ramdohr cleans carpet with a unique dry system called HOST that has been approved by all the major stain resistant treatment manufacturers.

"The new fibre treatments offer ease of maintenance," says Ramdohr. "These fibres do not completely eliminate the need to care for their carpet, but they make it much easier for homeowners to remove spots and spills."

It is now possible to get out acid-based food and beverage spills that previously would have caused a permanent stain, according to Ramdohr. Products such as wines, fruit juice spills and coffee, if addressed promptly, may no longer create permanent stains and unsightly carpet.

"Homeowners can keep their carpet looking great for years," said Ramdohr. "Barring neglect, there should be no reason for the carpet to become ugly from accumulation of spots and stains".

When cleaning becomes necessary, choose the cleaning method carefully. All stainresistant fibre manufacturers, for example, note in their guarantees that improper cleaning can reduce the effectiveness

of the anti-stain treatments and void their warranties. Detergent residue left on the fibre treatments also can create problems, like fast resoiling.

Controlling the amount of moisture when cleaning is another key to keeping carpet looking good throughout its entire life, according to Ramdohr, who offers the following cleaning tips to carpet owners.

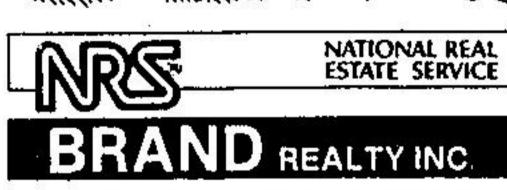
Blot and blot again. With a dry, white towel, blot wet spills immediately. Cover the spill with an absorbent dry cleaner such as HOST, working the cleaner through the carpet with a brush or your fingers. Vacuum away the cleaner after it is dry (spills are absorbed into the cleaner); or, place a layer of paper towels on the spill and weight them down overnight.

Have Earpet cleaned annually. The carpet should be cleaned at least once a year to remove the sticky soil that can't be vacuumed away. A dry cleaning system is especially effective for once-ayear cleaning; no sticky residue is left after cleaning to attract new soil. Carpet is clean and dry and can be walked on immediate-

"The new stain-resistant carpet is more forgiving in that homeowners and professional cleaners have more time to get at accidents," said Ramdohr, "but the critical time still is within the first 24 hours after the spills occur," Don't wait; clean spills immediately.







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Floral fancy

"HONEYSUCKLE" blossoms on a subtle rose and white ticking stripe create a charming backdrop to this little girl's bedroom. Shown here as a drapery fabric, Laura Ashley's "Honeysuckie" country furnishing cotton is complemented by a ticking stripe vinyl wallcovering.