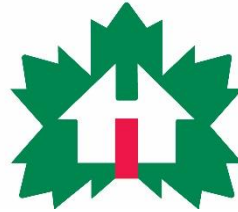


**Canadian
Home Builders'
Association**



Submission of Comments on Draft Real Property (GST/HST) Regulations

Canadian Home Builders' Association (CHBA) welcomes this opportunity to provide comment and feedback on the [draft regulations](#) for the enhanced Goods and Services Tax (GST) Rental Rebate regarding Purpose-Built Rental (PBR). Representing one of the largest industry sectors in Canada, accounting for 1.5 million jobs, CHBA's membership is made up of some 8,500 members from coast to coast. This includes the home builders, renovators, land developers, trade contractors, product and material manufacturers, building product suppliers, lending institutions, insurance providers, and service professionals that will be responsible for delivering the rental housing Canada requires over the coming decade and beyond. CHBA has the following recommendations and requests for additional clarity from Department of Finance and Canada Revenue Agency (CRA) on the legislation and regulations as it pertains to the issues outlined below.

Capturing PBR buildings under construction: Given the severe shortage of PBR in Canada, CHBA continues to implore that the enhanced GST rental rebate eligibility be changed to include projects that were not substantially complete as of September 14, 2023. Member feedback and illustrative pro forma show that there are thin margins between going ahead with this critically needed segment of housing and deciding to simply develop condominiums. The economic viability of a development is a fundamental requirement. CMHC data estimated that there were some 128,000 PBR units under construction at the time of the trigger date. Unfortunately, many of these have halted construction or will simply be converted to condominiums as a result of their ineligibility for the enhanced rebate. While it will take time to reduce the rental supply gap in Canada, this one change to the design of the enhancement will provide the most immediate results for the government, Canadians, and industry. It is critical that these PBR projects be protected so they can play a role in delivering much needed new supply to the market (in 1-2 years) compared to projects that are in pre-development and have not yet begun construction that will take 4+ years to deliver.

Applicability of mixed-use developments for enhanced GST Rental Rebate – CHBA and its members are seeking greater clarity on the applicability of the enhanced rebate for mixed-use buildings, built in large urban areas, within the legislation and regulations. These developments often contain below grade and ground floor space designated for commercial use and with above floors designated for purpose-built rental units. These mixed-use developments use legal divisions to separate conveyable parcels that differentiate the commercial component of the development from the conveyable rental component parcel. CHBA asserts that if the separate conveyable rental component parcel of a mixed-use development meets the minimum required number of private apartment units or private suites, in addition to 90% of units designated for long-term rental, it should receive the enhanced GST Rental Rebate. Making this applicability clear will help maximize the incentive to build new purpose-built rental supply where it is needed the most—in Canada's largest urban centres.

Defining start of construction – It is understood that start of construction has been administratively defined as the date “excavation work relating to the residential complex begins” (per GST/HST Technical Information Bulletin B-087). However, CHBA asserts that excavation work can be carried out for site remediation, or other objectives unrelated to the foundation preparation of the building. The most appropriate method to define the start date of construction is to use the CMHC definition of a housing start. A housing start is defined by CMHC as “the stage when the concrete has been poured for the whole of the footing around the structure.” This is codified by a Foundation Permit when a building has a below grade condition, and a Structural permit when a building does not have a below grade condition.

Start date of construction specific to mixed-use developments – The administrative definition for start of construction should also be clarified to affirm that the rebate applies correctly to the conveyable parcels where the new purpose-built rental units are contained in a mixed-use building. In this case, CHBA asserts that the start date of construction of the rental component parcel should be the pouring of concrete for the first rental floors within the overall development. It is important to tie the start date of construction to the separated rental section of the development and not the commercial section of the development, which can begin years before.

We appreciate the opportunity to provide comments and request additional clarity on this important tax treatment change. For questions and/or further discussion please contact CHBA Director of Government Relations, Nicole Storeshaw at nicole.storeshaw@chba.ca or 613-230-3060 (ext. 241).

Sincerely,

A handwritten signature in black ink, appearing to read 'K. Lee', written in a cursive style.

Kevin Lee, P.ENG., M.ARCH.

CEO

Canadian Home Builders' Association