

Do I have to pay HST upfront on a rental income property in Canada?

Categories : [HST housing rebate](#), [NRRP Rebate](#), [Rebate Blog](#), [Renting](#)

When you are buying your first rental property, you may be faced with a question whether you have to pay HST upfront on a rental income property in Canada.

For instance, in a situation where you are buying a house or a condo as a primary residence to live in for yourself or a close relative, the seller will typically reduce the final purchase price with HST included by the same amount as the new housing rebate. In exchange, the seller will receive the full rights to your rebate after it has been issued by the CRA. This helps the buyer to afford the property more easily, as the upfront purchase price is significantly lower, and also saves him or her from the complicated application process for the new housing rebate - the seller takes care of this him- or herself. In addition, this allows condo developers or builders to advertise their housing with a lower "sticker price". When you are shopping for a new house or condo, many of the advertised prices are actually already reduced by the new housing HST rebate.

Buyers have to pay HST upfront on a rental income property in Canada

However, it is important to understand that vendors are allowed to lower the selling price of the house by HST amount for PRIMARY RESIDENCE buyers only. As such, all other buyers, such as [buyers of rental property](#), must pay HST upfront, making the purchase price higher than it is usually advertised.

The good news is that in Ontario, there exists a special HST rebate, which is created to ensure that property-buyers who purchase rental property do not pay for the house more than they would if they were buying a primary residence.

What is the NRRP Rebate (New Residential Rental Property Rebate)?

When you have to pay HST upfront on a rental income property in Canada, the home purchase price could be significantly increased. Luckily, the Canada Revenue Agency offers the [GST/HST New Residential Rental Property Rebate](#) to any landlord who purchases a new house or a condo for rental purposes.

The major difference between the regular GST/HST New House Rebate and the NRRP Rebate is that with NRRP Rebate, the buyer must pay HST upfront on a rental income property in Canada, and only then apply for the rebate on their own, instead of the vendor handling the application for

the buyer.

What does this mean for you and your property?

With a standard HST rebate, saving money is simple: the property vendor takes care of all the documents and rebate application process for you. However, with New Residential Rental Property Rebate, you are left on your own to handle the application.

Similarly, to other rebate programs, specific rules, regulations, and deadlines must be followed. Landlords must also understand that “renting out” would require a full one-year occupancy in order to be eligible for the rebate.

Since most property buyers interested in applying and receiving the NRRP Rebate are not accountants or tax lawyers, they often use the services of tax rebate professionals, such as Rebate4U. Attempting such a complex process on your own can negatively affect the accuracy and timeliness of the HST rental rebate application, and therefore put your refund cheque at risk!

In summary, when you purchase a new rental property, you should:

1. Pay HST upfront on a rental income property in Canada.
2. Contact rebate specialist, such as Rebate4U, to file your rebate application.
3. Receive your New Residential Rental Property Rebate cheque.

In addition, you can use the HST rebate for your rental property to reduce the principal amount of the [mortgage](#). You could commonly take out a mortgage with a “prepayment” option, meaning you could prepay up to 20% of the original principal amount at the end of the year, without paying any additional penalties or charges.

Buyers that contact Rebate4U for help with NRRP Rebate typically receive their rebate money after 2 months, which means that they will not pay additional interest before they can use the full rebate directly towards the mortgage principal.

Do you qualify for the NRRP Rebate?

When you purchase new rental property, you must pay HST upfront on a rental income property in Canada, and then apply for the rebate from the Canada Revenue Agency yourself – not through the builder. Furthermore, in order for you to be eligible for the rebate, the first people to live in the new property must be tenants, not yourself.

To claim the rebate, you must make an application within 2 years of the property closing date by completing Form GST524. Depending on your specific situation, you might need to fill out additional applications or forms. Then, send all the forms to the CRA, including any supporting

documentation required.

If you decide to sell the property within one year after receiving the rebate, you may be required to repay the rebate back. The only exception is that if you sell the property to a person who occupies it as his or her principal residence.

Applying for the NRRP Rebate is Easy with Rebate4U

When you buy a new rental property, you do have to pay HST upfront on a rental income property in Canada. However, as complicated as the rebate process appears to be, the professional team at Rebate4U will take all the pressure and stress away from any rebate application (especially if you are a first time landlord). We will guide you through every step of the process – from initial application to the refund cheque. Rebate4U specialists have years of experience dealing with government programs and maintain regular contact with government departments.

In rebate application process, any mistake can cost you thousands of dollars. Luckily, with Rebate4U, you can rest assured that all the paperwork is submitted correctly and timely.

To learn more about qualifying for the New Residential Rental Property Rebate, [contact](#) the rebate specialists at Rebate4U by visiting www.rebate4u.ca or calling 1-800-610-4510.