



## HST on New Homes

On July 23, 2009 the government of BC announced that it intends to harmonize the Social Service Tax ("PST") with the federal Goods and Services Tax ("GST") effective July 1, 2010. The Harmonized Sales Tax ("HST") will combine a 7% BC rate ("provincial portion") with the 5% federal GST for a combined HST rate of 12%. On November 20, 2009 the government of BC announced some changes to the thresholds for the rebate of the provincial portion of the tax as it applies to new home sales.

Under the proposed HST, new home sales will be subject to the full HST. However a partial rebate of the provincial portion of the HST for new homes will be available. The new housing rebate will be 71.43% of the provincial portion of HST paid up to a maximum of \$26,250. The rebate will be available regardless of the price of the new house or whether or not the new housing is to be owner occupied or rented. Houses valued at \$525,000 or more will therefore be entitled to the maximum \$26,250 rebate.

### Example 1

New home, \$300,000 purchase price. HST paid would be 12%, or \$36,000. The provincial portion of the \$36,000 would be \$21,000 and the rebate on the provincial portion would be 71.43% of \$21,000, or \$15,000. So, the net HST charge would be \$21,000 (\$36,000 gross HST less \$15,000 rebate).

**\*\* Shortcut – for new homes under \$525,000, the net HST after rebates equals 7%. (\$300,000 \* 7% is \$21,000)\*\***

### Example 2

New home, \$600,000 purchase price. HST paid would be 12%, or \$72,000. The provincial portion of the \$72,000 would be \$42,000 and the rebate on the provincial portion would be 71.43% of \$42,000, or \$30,000. **However, the max provincial rebate is \$26,250** so, the net HST charge would be \$45,750.

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### Newsletter Highlights

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### Something to Ponder

The 3 stages of man:  
1) He believes in Santa Claus.  
2) He doesn't believe in Santa Claus.  
3) He is Santa Claus.

**\* Shortcut – for new homes over \$525,000, you calculate the 12% tax and just subtract \$26,250\*\*\***

***One other change announced yesterday is harmonized tax will not be levied against pre-sale homes for which the buyer signed a purchase contract prior to Nov. 18.*** At this time all new homes sales closing prior to July 1, 2010 will be exempt, and of course any sales closing after that will not be. In my opinion I foresee builders, contractors and tradesmen being swamped with work till then.

### Reverse Mortgages

Reverse mortgages are becoming popular in Canada. It's a product that can offer older Canadians greater financial security. Many Seniors are using them to supplement social security, meet unexpected medical expenses, make home improvements, and more.

A reverse mortgage is a special type of home loan that lets a homeowner convert the equity in his or her home into cash. In order to qualify the homeowner must at least be 60 years of age. The built up equity can be paid to the homeowner: in a lump sum, in a stream of payments, or as a supplement to Social Security or other retirement funds. But unlike a traditional home equity loans or second mortgage, no repayment is required for the reverse mortgage up until the borrowers stop using the home as their principal residence.

Another key difference between a reverse mortgage loan and a bank home equity loan is that with a traditional mortgage or home equity line of credit, you must meet qualification requirements for the loan, and you are required to make monthly mortgage payments. A reverse mortgage works very differently. The reverse mortgage pays you, and it is available regardless of your current income. You don't make payments, because the loan is not due as long as the house is your principal residence. Like all homeowners, you still are required to pay your real estate taxes and other conventional payments like utilities, but with a reverse mortgage, you cannot be foreclosed or forced to vacate your house because you "missed your mortgage payment."

This product is not for everyone but worth mentioning in our "aging" population. Please contact me to if you would like to learn more reverse mortgages.

### A Different Christmas!

Well here we are again, Christmas time! How is it that we went from Christmas being something magical and special at one time, to now being symbolized by frustration, anxiety, depression and sheer excess for many! Now I'm not saying this is case for all, but I know you would be hard pressed to argue with me that it isn't the case for far too many!

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## A Different Christmas contd.

When I think back on my own life, my Christmas's were probably a bit different. In fact, I think for a lot of new immigrants to Canada who are not from a predominantly Christian country, this is the case. You see, I came to Canada when I was eight and knew virtually nothing about my new country or its traditions and customs. I remember being in awe of what was happening around me for basically the first year. Everything was so new and foreign, from walking into a supermarket to visiting a McDonalds. I was just inundated with so many new discoveries, television, Fruit Loops cereal, hot dogs, skating rinks, swimming pools and so much more.

I came to Canada in the spring and the very first winter here was a shock, as I had never experienced this season before! Suddenly, fall was gone and I got my first winter outfit, a winter coat along with some boots and mittens! Soon after that came the best part, that's right you guessed it, snow! I remember one day suddenly seeing these big white flakes falling from the sky and wondering what they were. I remember the thrill catching them in my hands, and of course, trying to get them to land on my tongue! Some other pretty incredible things also began to happen around this time, lights began appearing and twinkling on homes, plastic and wood characters began adorning lawns. Of course if this wasn't enough, then a most mysterious event occurred, trees began appearing in the windows of homes all lit up and sparkling, and if that wasn't enough, the windows of some of these homes had snow on the inside, and it wasn't even melting! As you can imagine, this is certainly exciting for most eight year olds, but doubly so for one who has recently come to this country and has never experienced any of this.

This was also the time I was first exposed to Christmas presents. I remember the kids at school talking about asking this Santa fellow for them. I must admit that the image of this rather large man dressed all in red and with a flowing white beard did seem a little scary at first, but like any 8 year old, I got used to it rather quickly.

Of course, after seeing all of these other houses decorated, I encouraged my parents to do the same. We had a tree, a fake one of course, my parents couldn't understand why people would want real trees in their home. Real trees would cause a mess, they could possibly catch on fire from the lights and the smell of pine isn't something they wanted to experience. It didn't really matter to me, I was just happy to have one, and more than that, excited about the opportunity to decorate it! Which is what I did; from what I can remember, there was still some green left here and there after I was done! As far as the presents, my parents didn't really get the hang of the "surprise" thing. I guess they just wanted me to be happy and ensure that I got what I wanted, so they just went ahead and took me shopping with them to pick it out. We didn't have a lot of money, therefore they didn't go "crazy" getting things, but I did get to pick out a couple. I'll grant you, there was no waking up on Christmas morning and discovering what was inside those boxes, but I was happy just the same, and I even got to play with them for a few days prior to Christmas. When Christmas finally did come, they insisted on wrapping them up and me opening them on Christmas day. Parents, who can figure them out, eh?

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So why am I telling you all of this? Simple, I just want you to try to remember what Christmas was like before it all got so crazy! Back in those days, the magic of Christmas was alive and well, everything about the time was amazing, the sights, the sounds, the warmth. Remember when you were just happy to spend time with your crazy uncle Stan and listen to family stories of Christmas's past? It wasn't all about having the perfect meal in the perfectly decorated home and ensuring you got everybody not only the perfect presents but an abundant amount of them. Success wasn't measured by the largest Visa bill and highest stress level! Am I saying that you should never shop again, absolutely not, all I'm saying is keep "your eye on the prize": family and loved ones!

When I look back on those days today, I'm hard pressed to remember what I got, but I can easily remember what I felt, happy! So this Christmas, try creating more memories and buying less things, I can guarantee you they will last far longer! Not only put a limit on your spending, but more importantly, stick to it! If you avoid get caught in the "commercialism and madness" of Christmas, you just might find you'll come out a lot saner and with a much smaller Visa bill for January to boot. Imagine starting the new year not dreading your credit card statements and then working like a dog for the next few months just to pay them off. Imagine not having to take on so much overtime at work, time that robs you of valuable time with your family! The choice my friends is yours. I'm not here to preach or teach. I'm just a firm believer that there is a better way, but choosing it, is entirely up to you!

## Happy Holidays!

Thank you for your business this year! I wish you the best for Christmas and New Years and look forward to being at your service during the years to come. This year, rather than giving out poinsettias to clients, I will be making a donation to the Goldstream Food Bank on behalf of each of my clients. My clients will receive a thank you letter from the food bank in the New Year.



## Facebook & Twitter

Yes, it's true! Kam the Mortgage Man has joined social networking! Click on icons to add me as a Facebook Friend or Follow Me on Twitter. Daily updates on mortgage rates, the housing industry and real estate!

## Referrals

Your referrals are always welcome, so if you can think of someone who may benefit from my services, please send me an e-mail to [kam.brar@vericoselect.com](mailto:kam.brar@vericoselect.com) or call me at **250-686-4246**. Never dealt with me, not sure what kind of service you're going to get? [click here](#) to see what some of my clients have to say!

If you have any questions or comments please contact Kam at [kam.brar@vericoselect.com](mailto:kam.brar@vericoselect.com) or visit [www.kamthemortgageman.com](http://www.kamthemortgageman.com)