

Backgrounder: Enhanced Harmonized Sales Tax Relief on New Homes

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Members wishing further clarity or advice should seek independent legal advice specific to their circumstances.

Further, please note that this document was prepared to assist OREA Members in providing information that is available and current at the time of publication but, given the evolving nature of this issue, is potentially subject to change.

Background

The Government of Ontario, in partnership with the federal government, has passed legislation intended to support significant harmonized sales tax (HST) relief for buyers of eligible new homes.

The initiative is intended to stimulate housing construction, improve affordability, and support economic growth across Ontario. Once fully implemented, it is projected to provide buyers of eligible new homes with up to $130,000 in combined HST relief.

What This Could Mean for REALTORS®

This initiative has the potential to positively impact the housing market by improving affordability for buyers of newly constructed homes. Reduced costs may encourage more consumers to enter the market, thereby supporting increased housing activity, and creating additional opportunities within the new home construction sector.

For REALTORS® working with buyers, builders, and/or investors, this could become an important opportunity for increased affordability once implementation details have been finalized.

Key Highlights

- Buyers of eligible new homes valued at $1 million or less could potentially receive relief of the full 13% HST payable, up to a maximum of $130,000.
- Buyers of eligible new homes valued between $1 million and $1.5 million would still qualify for relief of the full amount of $130,000.
- The amount of relief available for homes above $1.5 million would gradually decrease.
- This initiative/program would apply to homes purchased between April 1, 2026, and March 31, 2027.
- Buyers may eventually be able to assign the rebate directly to builders, allowing the savings to be reflected upfront in the purchase price.
- The province estimates this initiative could support an additional 8,000 housing starts and up to 21,000 jobs across Ontario.

What REALTORS® Should Keep in Mind

While the announcement is significant, several implementation details are still pending and applications for the proposed relief program are not yet open. This is an evolving issue, and we will do our best to keep our Members informed as this matter progresses.

The best official information available at this time is a backgrounder document from the Government of Ontario and a news release from the Government of Canada. Ontario's Bill 114, the *HST Relief Implementation Act (Residential Property Rebates), 2026* received Royal Assent on May 12.

Government sources have indicated that:
- Federal regulatory changes are still required.
- Additional program details and guidance regarding eligibility requirements will follow.
- The Canada Revenue Agency (CRA) is expected to administer the full program.
- Buyers who qualify based on the date of purchase may still be eligible even before the rebate application process officially opens.

For now, REALTORS® should avoid presenting the enhanced HST relief as immediately available and instead communicate that the program is still pending implementation details and subject to regulatory approvals.

Frequently Asked Questions

1. What is the relief?

What the Ontario government has referred to as the 'Enhanced Harmonized Sales Tax (HST) Relief' program is a temporary program which provides relief for the full 13% HST payable on eligible new homes and rental units purchased or built within the defined program window.

The 8% provincial portion of the HST is to be rebated through federal regulation, enhancing the existing New Housing Rebate (NHR) and New Residential Rental Property Rebate (NRRPR).

Relief related to the 5% federal portion of the HST will need to be implemented under provincial law. Details on the administration of the relief related to the 5% federal portion of the HST will be made available at the earliest possible opportunity.

2. Who is eligible?

As is the case with Ontario's existing NHR, situations in which an individual ***may*** be eligible for the enhanced Ontario NHR include:

- The purchase of a new or substantially renovated home from a builder;
- Building or substantially renovating, or hiring someone else to build or substantially renovate, a home on land the individual owns or leases; or
- The purchase of shares of a cooperative housing corporation (co-op).

Eligible home types generally include a detached or semi-detached single unit house, a duplex, a residential condominium unit, a townhouse, a rowhouse, a unit in a cooperative housing corporation, a mobile home (including a modular home), and a floating home.

Based on current information, and as is the case with Ontario's existing NHR, the enhanced Ontario NHR would only apply to homes for use as the individual's primary place of residence or the primary place of residence of a "relation" of the individual.

3. How does the rebate get paid to the buyer?

Under the existing $24,000 Ontario NHR, builders credit the rebate at closing. For the enhanced NHR, builders are not permitted to credit the enhanced rebate at closing until federal regulations are finalized. For closings occurring before the federal regulations are finalized, eligible buyers must pay the full HST at closing and apply for the enhanced Ontario NHR directly with the CRA after federal regulations that implement the enhanced Ontario NHR are made.

Please note that builders can be held jointly or severally liable for repayment of the rebate where they knew, or reasonably ought to have known, that the purchaser was not eligible.

It is expected that the CRA will release updated rebate application forms for the enhanced Ontario NHR and NRRPR some time after federal regulations are made.

4. What about buyers closing today?

Enabling legislation (Bill 114) has passed, but operational regulations have not yet been enacted. Federal regulations needed to enhance the existing NHR and NRRPR, and provincial regulations needed to provide the 5% HST relief, are still pending.

Until both sets of regulations are in place, the CRA cannot process applications for the enhanced rebate and builders cannot credit at closing, thus buyers cannot receive the rebate.

For closings happening before regulations are enacted, eligible buyers must pay the full HST at closing and apply directly to the CRA for the enhanced rebate once federal regulations are in place and the CRA releases the updated application forms. The existing $24,000 Ontario NHR continues to operate normally, which builders credit at closing. The existing NRRPR continues to operate normally, rental property buyers must still (as before) apply to the CRA directly after closing.

Given the uncertainty as to when federal regulations will be implemented, buyers are required to pay the full HST at closing. This will affect financing qualifications, mortgage approvals, and overall budgeting and planning for prospective buyers.

Members are encouraged to seek independent legal advice regarding the timing and certainty of any prospective rebate.

5. How is this different from the existing Ontario rebates (NHR and NRRPR)?

Based on the information we currently have, the enhanced rebate is a temporary enhancement of the existing Ontario NHR and NRRPR rebates. The existing rebate is capped at $24,000 of provincial HST, while the enhanced rebate can deliver up to approximately $130,000 (combining the provincial and federal portions of HST) for homes priced up to $1.5 million.

6. How is this different from the first-time home buyer rebate program?

The federal first-time home buyers' (FTHB) GST/HST rebate program rebates the 5% federal GST/HST portion for first-time buyers – up to $50,000 for homes priced up to $1 million, partial rebate for $1 million to $1.5 million, and no rebate above $1.5 million. It applies to buyers who enter an Agreement of Purchase and Sale (APS) between March 20, 2025, and December 31, 2030.

The Ontario FTHB rebate covers the 8% provincial portion for first-time home buyers – the full rebate for homes up to $1 million, partial for $1 million to $1.5 million homes, and no rebate at $1.5 million and above.

A first-time home buyer who is eligible for both the Ontario FTHB rebate and enhanced Ontario NHR is permitted to claim either or both, but the total amount of all Ontario rebates that may be claimed in a single transaction is capped at the maximum claimable under the enhanced Ontario NHR for that transaction.

7. How will builders price new homes?

It is our understanding that where a builder offers a home at a stated price net of tax and rebates, the agreement should explicitly state which specific rebates are being assumed. However, ***Members are strongly encouraged to seek independent legal advice when dealing with interim-period transactions.***

8. What about new homes in inventory?

It is our understanding that new homes never occupied and purchased from a builder with the APS entered between April 1, 2026, and March 31, 2027, should be eligible. The same should apply for power of sale transactions involving never-occupied builder homes.

9. Will OREA be providing standard Clauses regarding HST relief?

No. Given the complexity and unique circumstances of each new home transaction and builders' contracts, OREA cannot provide standard language. In addition, the legislation and regulations required to administer the enhanced HST relief have not yet been fully implemented. ***Members must consider the specific circumstances of each situation and are strongly advised to seek independent legal advice.***