

# TRUDEAU HAS “CARRIAGE” OF INDEXING GST REBATE TO INFLATION



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Prime Minister Trudeau recently said: “I’ll be blunt as well — housing isn’t a primary federal responsibility. It’s not something that we have direct carriage of. But it is something that we can and must help with.”

There are several ways his government could help with improving housing affordability. The first is to index the GST New Home Rebate to inflation and today’s prices.

The GST was introduced in 1991 with a GST New Home Rebate, including a promise to index the rebate to inflation, which never happened.

The rebate on new homes priced up to \$450,000 has become virtually non-existent in our region where the median price is \$1.2 million for a single family home and \$552,900 for a condo.

In a report called Double the Pain: How Inflation Increases Tax Burdens, the CD Howe Institute says GST’s inflationary costs on housing offer “little transparency or legislative oversight....In Canada’s major cities, the cost of new houses has risen to the point where the (GST New Home) rebate is effectively obsolete...”

The federal government could also waive the GST for purpose-built rental housing, a recent recommendation by the Canadian Alliance to End Homelessness, the Smart Prosperity Institute and REALPAC, a national real estate industry group.

Trudeau could bring back the capital gains tax rollover, which allowed building owners to sell a property without paying the tax on profits, if reinvested in rental housing within the year. This program, which ended in 1972, created much needed housing for the baby boomer demographic.

Since then, three levels of government have treated housing as a cash machine, generating billions of dollars annually through inflationary taxes including the GST, Property Transfer Tax (PTT) and even building permit fees based on the rising value of construction.

BC’s PTT is now an average \$16,000 for a simple property transfer which should only cost a few hundred dollars.

Municipalities are generating million-dollar surpluses from inspection fees based on the rising cost of construction, when inspections should be a fee for service.

Reducing government costs, including GST, by indexing the rebate to inflation would have a significant impact on housing affordability.

That’s something the Prime Minister has “direct carriage of.”



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