

Condominium Home Owners' Association

Serving BC's Strata Property Owners since 1976

Bulletin: 300-345

Condo Smarts

Headline: HST

Topic: Taxes and taxation

Publication date: August 30, 2009

Publication: The Province

Written by: Tony Gioventu

Dear Condo Smarts: Several of our owners have heard on a number of talk shows this week that strata owners are now going to have to pay HST on their strata fees. Is this true? This will immediately add 12% to all of our costs at a time when we can hardly get the owners to approve a 1% increase.
Wendy Neilsen, Vernon

Dear Wendy: The HST is a harmonized tax that is basically being applied to those goods and services where GST and/or PST were applied. Until the tax guide for HST is published for BC, it will be difficult to establish the total impact, but it will have an impact on strata corporations. Residential strata corporations and residential strata lots if they qualify, are deemed to be non taxable corporations under the Income Tax Act. A residential condominium corporation that qualifies as a non-profit organization under paragraph 149(1)(f) is exempt from Part I tax on its taxable income but is required to file Form T1044, *Non-Profit Organization (NPO) Information Return*, with its T2 tax return. As a result there is no GST or PST charged on residential strata fees, so the HST will not be applied to residential strata fees. Commercial strata corporations, and those residential strata corporations that are used for commercial purposes, such as a hotel, may be subject to GST and as a result

HST on their strata fees. The strata corporation in these situations is likely already registered for a GST number and will modify their collections for HST. Now for the real costs. If your strata is small 10-unit self-managed complex and you maintain your own buildings, your increase on costs is likely going to be around 0.5-2% of your total costs. But look at a large 350 unit 3 tower complex where there are a broad range of labour services that are currently only subject to GST. On a 1.5 million dollar budget, the strata probably pays \$100,000 in management fees, and another 200-400 thousand in contracts for janitorial, landscaping, building maintenance, inspection services, labour and consulting. The potential impact on the total annual budget is going to be an increase of 2-4% on the total budget. Don't forget, when it comes time to that new roof. When you paid only 5% GST on the labour, it will cost you 12% HST after July 1, 2010. The coming year is going to be an important time for strata corporations to review the structure of their services, cost allocations for labour and administration and prepare for the possible increases. For more information on taxation and condominiums (strata properties in BC) go to: <http://www.cra-arc.gc.ca>, type in the word "condominiums" and select the first bulletin IT304R2 - Condominiums.

For more information on CHOA resources and benefits visit www.choa.bc.ca
or contact the office at 1-877-353-2462 or email office@choa.bc.ca.

No part of this publication may be reproduced without the prior written permission of CHOA

This publication contains general information only and is not intended as legal advice. Use of this publication is at your own risk. CHOA will not be liable to you or any other person for any loss or damage arising from, connected with or relating to the use of this publication or any information contained herein by you or any other person.