

Foreign Buyer's Tax Rebate: What Is It And How To Apply

Buying your first home in Canada may come with challenges. You may encounter some unfamiliar terms, fees or processes that you'll want to know about in advance. There may also be rebates available that could save you money, but if you don't do your homework, you could miss out. The Foreign Buyer's Tax is a great example of a fee that you may not have considered in your budget. While it'll add to your bottom line upfront, there's a tax rebate available that you could be eligible for.

What Is The Foreign Buyer's Tax Rebate?

The Foreign Buyer's Tax Rebate is one that foreign buyers can take advantage of if they purchased residential property within the Greater Golden Horseshoe Region of Ontario and as a result, paid a 15% tax at closing.

What Is The Non-Resident Speculation Tax In Ontario?

The Foreign Buyer's Tax (also referred to as the Non-Resident Speculation Tax) is something the Ontario Government began implementing in 2017. It's a 15% tax on foreign nationals who choose to purchase residential real estate property and it was designed to stop any unprecedented "boom" in the super-hot GTA (Greater Toronto Area) real estate market.

The tax applies specifically to people who are not Canadian citizens or permanent residents of Canada. Currently, the tax applies to any real estate purchased in what's known as the Greater Golden Horseshoe region of Ontario which includes the following locations:

- City of Barrie
- County of Brant
- City of Brantford
- County of Dufferin
- Regional Municipality of Durham
- City of Guelph
- Haldimand County
- Regional Municipality of Halton
- City of Hamilton
- City of Kawartha Lakes
- Regional Municipality of Niagara
- County of Northumberland
- City of Orillia
- Regional Municipality of Peel
- City of Peterborough
- County of Peterborough
- County of Simcoe
- City of Toronto
- Regional Municipality of Waterloo
- County of Wellington, and
- Regional Municipality of York

Benefits Of The Foreign Buyer's Tax Rebate

The main benefit of applying, as with any rebate, is receiving the money you paid towards the NRST, back in your pocket. As long as you qualify, and have all the necessary paperwork available, you can follow the process to apply for your rebate within the designed time period and reap the benefits.

Who Qualifies For This Tax Rebate?

The Foreign Buyer's Tax rebate is available to any foreign national who may have paid the Foreign Buyer's Tax on a real estate purchase as long as they meet specific criteria and fall into one of these three categories:

FOREIGN NATIONALS WORKING IN ONTARIO

If the applicant has been legally working full time in Canada, and has done so continuously for at least 1 year under an active work permit, they will qualify for this tax rebate as a working foreign national.

INTERNATIONAL STUDENTS

If the foreign national is a full-time student enrolled continuously for a period of 2 years or more in an approved institution (meaning the campus must be located in Ontario), they will qualify for this tax rebate. Full-time means enrolled in at least 60% (if the individual does not have a disability) or 40% (if the individual has a disability) of what the approved institution considers to be a full course load for the academic year.

FOREIGN NATIONALS THAT BECOME PERMANENT RESIDENTS

To qualify for this tax break as a permanent resident, the foreign national must become a Canadian resident within 4 years of their real estate closing date.

Foreign nationals who are interested in the rebate must also hold the property exclusively as their own or for a spouse and they must occupy the property as a principal residence from at least 60 days after closing. As long as they apply within 4 years of their closing date and meet the criteria, they should qualify for the tax rebate.

Types Of Properties That Are Eligible

The Non-Resident Speculation Tax (NRST) applies to the transfer of land that contains anywhere from one to six single-family residences. A single-family residence would be a detached house, semi-detached house, condo unit or townhouse. A land transfer that contains more than one single-family residence would include purchasing a duplex, triplex, fourplex, fiveplex or sixplex.

The NRST will not apply for the purchase of a rental apartment building with more than six units and agricultural, industrial or commercial land.

The NRST will also only apply to the portion of the land that's being used for residential purposes. So, if you're purchasing a large plot of land for \$1M and on that land is one single-family residence worth \$400k and vacant commercial land worth \$600k, the 15% tax will only apply to the \$400k for the residential portion.

How To Apply For The Tax Rebate

All applications must be submitted using the Ontario Land Transfer Tax Rebate Form. The process will also require the applicant to have possession of specific documents.

Any mistakes or missing items could delay the prices or even result in a denial so it's important to be prepared.

The Ministry of Finance (Ontario) has very specific guidelines when it comes to paying the Non-Resident Speculation Tax. As the process can be quite extensive and complex, you may want to consider seeking guidance from a tax specialist with expertise in real estate transactions.

If you're in the market to purchase a home in Ontario and are unsure whether you will be required to pay NRST or are eligible to obtain the rebate, we recommend obtaining legal advice as there are a lot of details you'll want to iron out before diving into the home buying process.