



GST/HST Memoranda Series

NOTICE OF CHANGE: January 16, 2002

19.2.2 Residential Real Property—Rentals

February 1998

Overview	This section of Chapter 19 examines the tax status of most types of residential real property rentals. Sales of residential real property are dealt with in Subsection 19.2.1, <i>Residential Real Property—Sales</i> , and deemed supplies are discussed in Subsection 19.2.3, <i>Residential Real Property—Deemed Supplies</i> .
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If you are located in the Province of Quebec, please contact Revenu Québec by calling the toll-free number 1-800-567-4692 for additional information.

Accommodation in a residential complex

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| Sch V, Part I, para 6(a) | 1. A rental of a residential complex or a residential unit in a residential complex is exempt if the complex or unit is to be used by an individual as a place of residence or lodging and if the rental period is a period of continuous occupancy or right of occupancy of one month or more to the same individual. |
| Continuous occupancy | 2. A period of occupancy is a period of continuous occupancy by the same individual, notwithstanding that the rental may be on a daily or weekly basis. |
| Low-cost | 3. Where the consideration for the rental is \$20 per day or less, the rental is exempt regardless of the period of occupancy, provided the occupation is for use by an individual as a place of residence or lodging. (For further information on low-cost rentals, see paragraphs 10 and 11.) |
| Short-term
Sch V, Part I, para 6(b) | 4. If the rental is short-term accommodation, i.e., the period of occupancy is less than one month, the supply is taxable if provided by a registrant, unless the consideration for the supply is \$20 or less per day of occupancy. |

19.2.2 Residential Real Property—Rentals (continued)

- Example 1 Ms. Kingsbury is a tax consultant who is based in Toronto, but works in Ottawa one week per month. Ms. Kingsbury leases the same apartment unit in a residential complex in Ottawa on a weekly basis for intervals of one week per month for 12 months at a rental of \$200 per week. The unit is available to rent to other individuals for the other weeks of the month. In this case, the rental is taxable if provided by a registrant because the rental period is less than one month and the amount exceeds \$20 per day.
- Example 2 Ms. Kingsbury is offered a special assignment in Ottawa that will last for an undetermined period of time, but at least one month. Ms. Kingsbury leases an apartment unit in Ottawa on a monthly basis for \$1,000 per month. After six weeks the assignment is complete, and Ms. Kingsbury decides not to renew her monthly lease. In this case, the rental is exempt provided the unit is in a residential complex since the occupancy is for a continuous period of at least one month by the same individual.
- Example 3 Ms. Kingsbury decides to enter into a lease for an apartment unit in Whistler, B. C., for a two-week interval period at \$250 per week for a term of 20 years. This apartment rental is taxable if provided by a registrant as the continuous period of occupancy by the individual is less than one month.
- Example 4 A company rents a residential unit for the benefit of one of its employees while the employee is on a six-month work assignment. This lease is exempt since the purpose of the occupancy is as a place of residence or lodging for an individual, and the individual occupies the unit for at least one month.

Accommodation in non-residential complexes

- Taxable unless \$20 or less/day
Sch V, Part I, para 6(b) 5. Rents charged for the use of a residential unit that is not within a residential complex are usually taxable, regardless of the period of occupancy, unless the unit is rented for \$20 or less per day. For example, a hotel must charge GST/HST on the rental of a unit for a period of continuous occupancy by an individual, if the accommodation is provided at more than \$20 per day.
- Hotel vs residential complex 6. A hotel or motel does not qualify as a residential complex if all or substantially all (i.e., 90% or more) of the supplies of the residential units by way of lease, licence, or similar arrangement are, or are expected to be, for periods of less than 60 days. For further information, refer to the topic, “Application of Residential Complex to Hotels” in Section 19.2, *Residential Real Property*.

Management fees, property taxes and other charges

Separate charges	<p>7. Where tenants of a residential complex are invoiced separately for maintenance items, property taxes or management fees and these supplies are shown as separate charges to the tenant, the GST/HST implications depend upon whether or not these charges form part of the total rent for the accommodation. Where monthly maintenance and operating charges are reimbursements by the tenants of costs incurred by the landlord that would otherwise form part of the rent, such costs take on the same tax status as the rent. Where, however, the additional cost relates to an optional supply, the supply is taxable unless another provision applies to exempt the supply. (Note: This is consistent with the treatment of additional rent under commercial leases. See Section 19.4, <i>Commercial Real Property</i> in this chapter.)</p>
Example 1	<p>Mr. Wong rents an apartment for \$600 per month with the option of being supplied cable television by the landlord for a separate charge of \$15 per month. The supply for the apartment is exempt, but the cable charge is taxable. (Whether the landlord collects the tax on the cable charge is subject to the landlord's requirement to register under the small supplier rules.) If the cable charge had not been separately invoiced, but had been a component of the rental payment so that Mr. Wong paid \$615 per month for his apartment which happened to be supplied with cable television, the supply of the apartment and the cable service would form an exempt supply.</p>
Example 2	<p>Ms. Jones rents a house for \$1,000 per month plus property taxes related to the house under a one year lease agreement. The property taxes are considered part of the consideration for the rental of the property. Even if Ms. Jones pays the property taxes directly to the municipality, the \$1,000 per month rent plus property taxes are exempt from GST/HST.</p>
Interim occupancy fees Sch V, Part I, s 6	<p>8. Occupancy fees charged by a condominium corporation in respect of a residential condominium unit prior to registration are exempt from the GST/HST if such fees are for occupancy of a residential unit by an individual for a period of at least one month.</p>
Meals supplied with long-term lease Sch V, Part I, s 6.2	<p>9. Meal plans which are supplied with long-term residential accommodation are exempt provided that:</p> <ul style="list-style-type: none">• the accommodation is exempt pursuant to paragraph 6(a) of Part I of Schedule V (i.e., minimum one-month rental period);• the meals are supplied by the person who is the supplier of the accommodation;• the meals are provided to the occupant of the unit or complex in the unit or in the complex; and• a minimum of ten meals per week are supplied for a single consideration that is determined before any meal is provided under the arrangement.
Example - separate property	<p>Long-term tenants of an apartment building are provided a meal plan of 12 meals per week for a single consideration at dining facilities located on the ground floor of the building. The dining room is also open to the public for a separate charge.</p>

19.2.2 Residential Real Property—Rentals (continued)

The tax status of the meal plan depends on whether or not the meals are provided in a residential complex. A dining facility is generally not part of a residential complex even if located in the same building as the residential complex if the dining room is open to the public. Meals in such a case would be taxable. If the facility were to provide meals exclusively to the tenants, then the meal plan would be exempt under section 6.2 of Part I of Schedule V.

Universities & public colleges

Note: These provisions do not include meal plans at a university or public college. Such meal plans may be exempt under section 13 of Part III of the Schedule V to the Act and are discussed in GST Memorandum 300-4-3, *Exempt Supplies: Educational Services* (to be re-issued in Chapter 24, *Special Sectors: Educational Institutions*).

Low-cost rentals

Rent geared to income

10. Under certain conditions, the supply of a residential unit that is supplied on a rent-geared-to-income basis is considered to be a supply of a municipal service, and once the supplier has been designated as a municipality for the purposes of the municipal rebate, the organization is entitled to claim the rebate. (Supplies by public sector bodies are discussed in Section 19.6, *Supplies by Public Sector Bodies*.)

Exempt supply
Sch V, Part I, para 6(b)

11. All rentals of residential units where the charge is not more than \$20 per day are exempt.

Example: two supplies

A “bed and breakfast” establishment charges \$20 per day for its rooms and separately charges \$5 per day for breakfast if breakfast is requested. Rooms are rented on a short-term basis.

In this example, there are two supplies:

- the supply of the room is exempt (whether or not the establishment is a residential complex);
- the supply of the breakfast is taxable (subject to the small supplier rules).

If the establishment did not charge separately for the breakfast and charged a total of \$25 per day for a room and breakfast, the full charge would be taxable (subject to the small supplier rules).

Example: splitting the bill

Mr. and Mrs. Simpson rent a room at an inn at a rate of \$40 per day for a period of one week. Mr. Simpson suggests that the innkeeper register Mr. and Mrs. Simpson separately, with each of the Simpsons being invoiced separately at \$20 per day. Since the room rate is still \$40 per day, the room rental is a taxable supply. Splitting the invoice does not exempt the supply.

Residential head leases and sub-leases

Exempt supply
Sch V, Part I, s 6.1

12. If one person (Person A) supplies:

- land,
- a building,
- that part of a building that forms part of a residential complex,
- a building that consists solely of residential units, or
- a residential complex,

to another person (Person B) for a lease interval during which Person B in turn supplies the property, or one or more parts of the property, by way of lease, licence or similar arrangement and all or substantially all of these supplies are on an exempt basis, then the first lease is also exempt throughout the same lease interval. Moreover, if Person B transfers his or her rights to the property by way of assignment of the lease, licence or similar arrangement and the property is being supplied on an exempt basis, the first lease is also exempt throughout the same lease interval.

Lease interval
ss 136.1(1)

13. Supplies of property by way of lease, licence or similar arrangement are treated as a series of separate supplies for each lease interval to which a particular lease payment is attributable. For purposes of the GST/HST, a lease interval is the period that is the whole or part of the period during which possession or use of the property is provided under the lease, licence or similar arrangement. The exemption is available for each lease interval throughout which the conditions for the exemption exist.

Example

Mr. Rogers leases land to Mr. Smith who constructs and operates a hotel that is subsequently converted to a residential complex. The land lease and the hotel room rentals were originally taxable. However, the land lease from Mr. Rogers to Mr. Smith becomes an exempt supply at the beginning of the first lease interval when the building is used as a residential complex since long-term rentals of apartments in a residential complex are exempt under section 6 of Part I of Schedule V. The land lease continues to be exempt for each lease interval throughout which the building is a residential complex.

Residential land leases

Mobile homes, etc.
Sch V, Part I,
subpara 7(a)(i)

14. The supply of land, other than a site in a residential trailer park, by way of lease, licence or similar arrangement to an owner, lessee, or occupant of any residential unit affixed or intended to be affixed to the land for use as a place of residence for individuals is exempt if the supply is for a period of continuous possession or use of one month or longer, and the amount of land is reasonably necessary for the use and enjoyment of the residential unit as a place of residence for individuals. In determining the amount of land that is reasonably necessary for the use and enjoyment of the residential unit as a place of residence for individuals, the same principles apply as those for determining the amount of land that forms part of a residential complex. See the discussion of land allowances in Section 19.2.1, *Residential Real Property—Sales*.

Construction of a
residential complex
Sch V, Part I,
subpara 7(a)(ii)

15. An exemption also applies to the supply of land, other than a site in a residential trailer park, by way of lease, licence or similar arrangement for a period of continuous possession or use of at least one month where the recipient is acquiring possession for the purpose of constructing a residential complex on the land in the course of a commercial activity. As in paragraph 14, the exemption applies only to an amount of land that is reasonably necessary for the use and enjoyment of the residential unit as a place of residence for individuals. In most such cases, the recipient is required to self-supply on the fair market value of the land and building. For further information on the provisions that require a builder to self-supply, see Section 19.2.3, *Residential Real Property—Deemed Supplies*.

Site in a residential
trailer park
Sch V, Part I, para 7(b)

16. A supply of a site in a residential trailer park made by way of lease, licence or similar arrangement is also exempt if the supply is for a period of continuous possession or use of at least one month by owners, lessees or occupants of mobile homes, travel trailers, motor homes or similar vehicles.

Assigned leases
Sch V, Part I, para 7(c)

17. Where an exempt supply of land by way of lease, licence or similar arrangement pursuant to paragraphs 7(a) or 7(b) of Part I of Schedule V is assigned to another person, the assignment (i.e., the sale) of the lease is also exempt.

Residential parking space leases

Exempt supply
Sch V, Part I,
para 8.1(a)

18. Supplies of parking spaces are exempt when the supply is by way of lease, licence or similar arrangement throughout a period of at least one month to a lessee or person in occupation of or possession of a single unit residential complex, a residential unit in a multiple unit residential complex or a site in a residential trailer park if:

- the parking space forms part of the residential complex or residential trailer park (regardless of who supplies the parking space), or
- the parking space is supplied by the owner or occupier of the complex, unit or site and is incidental to the use and enjoyment of the complex, unit or site as a place of residence.

19.2.2 Residential Real Property—Rentals (continued)

- Example 1 Mr. Lee rents an apartment unit in an apartment building that does not have any parking spaces. However, the landlord tells Mr. Lee that there is a homeowner across the street who would be willing to lease a parking space to Mr. Lee. The supply of the parking space is taxable as the supplier of the space is not supplying the residential unit. (The homeowner may be relieved of the obligation to collect the tax under the small supplier rules.)
- Example 2 If, in the preceding example, the landlord had leased the parking space from the homeowner, and then sublet the space to Mr. Lee, the supply of the parking space from the landlord to Mr. Lee would be exempt since the supplier of the parking space is also supplying the residential unit. However, the supply of the parking space between the homeowner and the landlord would be a taxable supply. (The homeowner may be relieved of the obligation to collect the tax under the small supplier rules.)
- Condominium unit
Sch V, Part I,
para 8.1(b) 19. Supplies of parking spaces supplied with a residential condominium unit are exempt when the supply is by way of lease, licence or similar arrangement throughout a period of at least one month if the parking space forms part of the condominium complex. Moreover, supplies of parking spaces made after December 10, 1998, are exempt when the supply is by way of lease, licence or similar arrangement throughout a period of at least one month to the owner, lessee or person in occupation or possession of a residential condominium unit described by a condominium or strata lot plan or description, or similar plan or description, registered under the laws of a province, if the space is situated within the boundaries of that plan or description.
- Floating home
Sch V, Part I,
para 8.1(c) 20. Supplies of parking spaces supplied with a floating home are exempt when the supply is by way of lease, licence or similar arrangement throughout a period of at least one month if the supplier of the parking space is also supplying exempt mooring facilities for the floating home (see paragraph 22) and the use of the parking space is incidental to the use of the floating home as a place of residence.

Condominium and co-op fees

- Exempt supply
Sch V, Part I, s13
Sch V, Part I, s13.1 21. Condominium fees charged to owners or lessees of residential condominium units are generally exempt, if the fees relate to the occupancy or use of a residential unit in the complex. Likewise, supplies of property or services are exempt if they are made after December 10, 1998, by a corporation (or syndicate in the case of transactions under the Civil Code) established upon the registration, under the laws of a province, of a condominium or strata lot plan or description or similar plan or description, to the owner or lessee of a residential condominium unit described by that plan or description, if the property or service relates to the occupancy or use of the unit. Similarly, co-operative housing corporation fees that relate to the use and occupancy of a residential unit by a shareholder or lessee of a shareholder of the corporation are exempt, if the fees relate to the occupancy or use of a residential unit in the complex. As a result, residential condominium corporations and cooperative housing corporations are treated much the same as residential landlords: they are generally unable to claim ITCs for GST/HST paid or payable on purchases related to property or services provided to condominium owners.

19.2.2 Residential Real Property—Rentals (continued)

Example 1 If a cooperative housing corporation hires a firm to clean the carpets in the housing units of the cooperative housing corporation, it cannot claim ITCs for any GST/HST paid for this service as this relates to the use and occupancy of a residential unit by a shareholder.

Example 2 The rental of space on the roof of the condominium complex for use by a cellular phone company is not related to the occupancy or use of a residential unit in a residential condominium complex. If the condominium corporation is a registrant, it must charge GST/HST on the rental.

Moorage fees for floating homes

Exempt supply
Sch V, Part I, s13.2 22. The supply of a right to use a wharf or moorage facility to an owner, lessee or occupant of a floating home is exempt if the moorage right is for a period of at least one month and the supply is made in connection with the use and enjoyment of the floating home as a place of residence for individuals.

Laundry facilities

Sch V, Part I, s 13.3 23. Effective April 24, 1996, the supply to a consumer of the right to use a washing machine or clothes-dryer is exempt if the machines are in a common area of a residential complex. Prior to April 24, 1996, the supply was a taxable supply.

24. Note this change in tax status from being a taxable supply to being an exempt supply, means that the change-in-use rules in subsection 200(2) may apply. Under these provisions, if a registrant owns capital personal property, e.g., washers and dryers, and this equipment is no longer being used primarily in commercial activities, the registrant is deemed to have sold and re-acquired the property and to have paid tax in respect of the supply equal to the basic tax content of the property at that time. For information on the change-in-use rules and on calculating basic tax content, see Section 19.4.2, *Commercial Real Property—Deemed Supplies*.

Lease of laundry area
Sch V, Part I, s 13.4 25. Effective April 24, 1996, if part of the common area of a residential complex that is for use in the course of making supplies described in paragraph 23, i.e., a laundry area, is supplied by way of lease, licence or similar arrangement, the supply is an exempt supply.

26. This exemption for the lease of the laundry area applies to lease payments attributable to periods after April 23, 1996. If a lease straddles that date, the provision of the property for the part of the lease period that ends before April 24, 1996, and the provision of the property for the remainder of the lease period are each treated as separate supplies. Notwithstanding this exemption, the lessor is entitled to claim ITCs that would have been available if the supply had remained a taxable supply for inputs acquired or imported before or during the reporting period that included December 15, 1996, for consumption or use in the course of leasing the area.