

# DE RUBEIS, CHETCUTI LLP

## REAL ESTATE LAWYERS

### NEW HOME BUYERS

#### **Land Transfer Tax Rebate For First-Time Buyers of New Homes**

Available only to individuals who are at least 18 years of age. You and your spouse can not have previously owned an interest in a home anywhere. If your spouse owned a home prior to your marriage, you may be eligible for a partial rebate. The maximum rebate is \$2,000. If an individual owns less than 100% interest in the newly-built home, the amount of the rebate would be reduced and calculated according to the amount of interest in the home. The application for rebate can be made at time of closing so that no land transfer tax need be submitted at that time.

#### **Purchasing a Newly Built Home – Ontario New Home Warranty Program**

All builders in Ontario must be registered with the New Home Warranty Program (ONHWP). This guarantees the purchaser of a new home a government backed warranty of fitness of their new residence. In most cases, the cost of enrollment in ONHWP is charged by the builder to the purchaser (carefully review the fine print of your purchase contract). The cost is therefore paid by the purchaser on the closing of the purchase. The amount payable can be found on the next page.

ONHWP protects your deposit up to a maximum of \$20,000 if the builder cannot or will not complete the sale, through no fault of yours. There is a one year deadline for claims for construction defects and Ontario Building Code violations, two year protection from basement, roof, wall and window leakage, and defects in electrical, plumbing and heating systems, and seven year protection from major structural defects.

Under the ONHWP, you will complete a pre-delivery inspection (PDI) that will give you the opportunity to record any obvious defects and/or damaged items prior to taking occupancy. Once your new home is substantially complete and ready to occupy, your builder will contact you to set up an appointment. The PDI should **never** occur **after** you have occupied the home because anything missing or damaged could be attributed to the move-in process. Review your contract, including any features lists, colour selection sheets and change orders to ensure that all of the extras, upgrades and styles you requested as part of your purchase agreement have been installed.

In case of a dispute, the ONHWP offers the services of a neutral third party or mediator to resolve the dispute with your builder.

Your Agreement of Purchase and Sale will set out your rights if construction of the home is delayed. If adequate notice of a delayed closing is not given, you may be entitled to a daily sum in compensation. Your Agreement may also preclude you from paving your driveway, changing the landscaping or finishing your basement for a period of time.

## **GST Issues**

- New Homes are not exempt from GST
- Unless special terms are included in the Agreement of Purchase and Sale, a purchaser must pay GST on the purchase price of the home but will normally qualify for a rebate to the extent of 36% of the GST paid
- It is very common for builders to sell their homes at a purchase price which is inclusive of GST. In these cases, the builder will pay all applicable GST but will require a purchaser to assign over the GST rebate normally available to purchasers of new homes.

## **New Home Charges and Costs**

Your purchase agreement could include some hidden charges that will be added to the purchase price. Some or all of these costs may be charged to you (read the agreement carefully or ask your lawyer if any of these apply):

- Water Connection Charge approx. \$250
- Tree Planting and other Landscaping approx. \$300
- Hydro Connection \$150 plus GST
- Law Society Levy \$53.50
- Ontario New Home Warranty Enrollment Fee:

Price of Home (Excluding GST)	Warranty Fee (incl. GST/PST)
\$150,000.01 - 200,000.00	\$460.00
\$200,000.01 - 250,000.00	517.50
\$250,000.01 - 300,000.00	575.00
\$300,000.01 - 350,000.00	632.50
\$350,000.01 - 400,000.00	690.00
\$400,000.01 - 450,000.00	747.50
\$450,000.01 - 500,000.00	805.00 (\$862.50 above \$500,000)

## **CMHC/GE CAPITAL Insured Mortgage Financing**

In many transactions, the Federal Government will allow your bank to lend to you monies which exceed the usual 75% of the purchase price. These are referred to as "high-ratio" mortgages and allow the purchaser to buy a home with as little as 5% down payment (provided the purchaser has sufficient income to qualify).

The 5% down option allows you to borrow up to 95% of the value of the home. The value will be determined by the lender and could be based on an appraisal however in most cases it is based upon the purchase price. Any first time buyer who buys a home to use as a principal residence and has sufficient gross family income will be eligible for this program. Certain hardship exceptions to the requirements may be available.