

## Election Proposal Costing

# Increasing the GST/HST New Housing Rebate for first-time home buyers

April 19, 2025

Increasing the Goods and Services Tax (GST)/Harmonized Sales Tax (HST) New Housing Rebate to 100% of GST or the federal portion of HST for new homes valued at or below \$1 million purchased by a first-time home buyer, effective March 20, 2025.

### Cost of Proposed Measure

Fiscal year	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
<b>Total cost</b> \$ millions	383	378	391	413	429	1,994

### Notes

- Estimates are presented on an accrual basis as would appear in the budget and public accounts.
- A positive number implies a deterioration in the budgetary balance (lower revenues or higher spending). A negative number implies an improvement in the budgetary balance (higher revenues or lower spending).
- Totals may not add due to rounding.

### Estimation and Projection Method

A first-time homebuyer qualifies if at least one buyer meets the definition used for the First-Time Home Buyer Incentive, which includes individuals who have gone through the breakdown of a marriage or common-law partnership. The 100% rebate on new homes is linearly phased out for purchases between \$1 million and \$1.5 million and these thresholds are not indexed to inflation. The existing New Housing Rebate would continue to be available for new home purchases that do not qualify for the increased rebate. Homebuilders would still be eligible to claim input tax credits.

The distribution of the value of new homes purchased was based on Canada Mortgage and Housing Corporation's Market Absorption Survey and projected using PBO's Election Proposal Costing (EPC) baseline. The total number of new units sold was discounted to account for the purchase of condominiums as residential rental properties and projected using the EPC baseline. The distribution was then adjusted for the share and relative value of new homes purchased by eligible homebuyers.

Net sales tax rates were applied to projected new home sales by price range, reducing sales taxes for eligible new homes. The cost of the proposed measure was calculated as the difference in sales tax revenue relative to current policy. No behavioural responses were included.

## Sources of Uncertainty

The main sources of uncertainty relate to the estimated distribution of the prices paid by eligible new home purchasers, the projected number and value of new units sold, as well as the assumed lack of behavioural response.

## Data Sources

### **Absorbed Units by Price Range for 17 Largest CMAs up to 2024**

Canada Mortgage and Housing Corporation, [Market Absorption Survey Custom Tabulation](#).

### **Absorbed Units by Price Range for all CMA/CAs with Populations Exceeding 50,000 up to 2022**

Canada Mortgage and Housing Corporation, [Absorbed Units by Price Range](#).

### **Distribution of Owner-Estimated Value for Recently Constructed Homes for all other areas**

Statistics Canada, [2021 Census Custom Tabulation](#).

### **Federal and Ontario New Housing Rebate Claims and Claim Values by Price Range**

Canada Revenue Agency, [Response to PBO IR0820](#).

### **Property Sales, by Period of Construction, Province, Investment Status, Sale Type, Condominium Status, and First-Time Homebuyer Status**

Statistics Canada, [Canadian Housing Statistics Program Custom Tabulation](#).

### **Actual and Projected House Prices and Real Investment in Residential Real Estate**

PBO, [2025 Election Proposal Costing Baseline](#).

### **Persons who experienced the breakdown of a marriage or common-law relationship in the prior 5 years by tenure**

Statistics Canada, [2017 General Social Survey – Families Custom Tabulation](#).