

# Canada's enhanced GST Rental Rebate for new rental construction projects

September 27, 2023

On Sept. 14, 2023, the [federal government announced](#) that it will introduce an enhanced Goods and Services Tax (GST) Rental Rebate on new rental construction projects. The Department of Finance [released a backgrounder](#) providing policy details on the newly proposed GST Rental Rebate for new purpose-built rental construction projects. Draft legislation released on Sept. 21, 2023, confirms that the GST relief measure will be **available for purpose-built rental projects if “construction begins” after Sept. 13, 2023, and on or before Dec. 31, 2030, and is substantially completed by or on Dec. 31, 2035.**

## What you need to know

- Government announced an enhanced 100 per cent GST Rental Rebate for new residential rental developments projects with a minimum of four apartments. Enhanced GST rebate also applies to conversions from non-residential to residential use properties but is not available to renovations of existing residential complexes.
- Available to new projects beginning Sept. 14, 2023, to Dec. 31, 2030, and completed before Dec. 31, 2035.
- Enhanced GST rental rebate only applies to the 5 per cent federal GST. The provincial component of the HST (e.g., 8 per cent in Ontario) continues as is. To be determined whether the harmonized provinces (e.g., Ontario) will match the **federal government's enhanced GST rental rebate with an enhanced rental rebate on the provincial portion of the HST.**

## Existing GST rental rebate

Builders of residential rental buildings are currently required to “self-assess” and pay GST/HST on the fair market value of new or substantially renovated units. The GST/HST paid on self-assessment is a significant cost to a developer of new residential rental housing as it must be paid upfront with no entitlement to input tax credits (ITCs) which are generally available to other commercial operators.

### Residential rental rebate

Rather than claim ITCs, a qualifying residential landlord may claim a rebate equal to 36 per cent of the GST (or the federal component of the HST) self-assessed on qualifying residential units, up to a maximum rebate amount of \$6,300 for each qualifying residential unit. Generally, a residential unit is a qualifying residential unit if its first use is as the primary place of residence of an individual. Under the current rules, the amount of the NRRP Rebate is phased out progressively when the fair market value of the qualifying residential unit exceeds \$350,000. No NRRP Rebate is available for qualifying residential units with a fair market value exceeding \$450,000. The NRRP Rebate available based on the fair market value of a qualifying residential unit is illustrated as follows:

- if the fair market value is \$350,000 or less, a full NRRP Rebate of \$6,300 is available.
- if the fair market value is \$450,000 or more, no NRRP Rebate is available.
- if the fair market value is between \$350,000 and \$450,000, for example \$420,000, a NRRP Rebate amount equal to \$1,890 or 30 per cent of the full \$6,300 rebate is available.

## **Enhanced GST rental rebate for new residential rental constructions**

Enhanced GST rental rebates will increase the rebate and broaden its application on new rental construction projects by:

- Increasing of the existing NRRP Rebate from 36 per cent to 100 per cent, and
- Eliminating the existing GST phase-out thresholds for qualifying purpose-built rental housing projects. Currently, as mentioned above, no NRRP Rebate is available for any new residential rental property units exceeding \$450,000.

The enhanced GST Rental Rebate is proposed to apply to projects that begin construction on or after Sept. 14, 2023, and before Dec. 31, 2030, and are completed before Dec. 31, 2035, in addition to satisfying other conditions.

The enhanced GST Rental Rebate will apply only to those new residential units that qualify for the existing NRRP Rebate and are in complexes with at least:

1. Four private apartment units (i.e., a unit with a private kitchen, bathroom, and living areas) or at least 10 private rooms or suites (e.g., a 10-unit residence for students, seniors, or people with disabilities); and,
2. Ninety per cent of residential units designated for long-term rental.

The new relief is also proposed to be available to conversions of non-residential real estate into residential complexes that meet the above conditions. However, the enhanced GST Rental Rebate will not apply to substantial renovations of existing residential complexes.

## **Provincial component of HST and provincial sales taxes**

In its announcement, the federal government called on provinces that apply provincial sales taxes (PST) or the provincial component of the Harmonized Sales Tax (HST) to offer relief in line with the federal GST relief. Ontario currently provides a residential rental rebate up to 75 per cent of the provincial component of the HST, up to \$24,000. There is no claw back of the rebate based on the purchase price of the property. It is with great anticipation that we await the provinces response and whether they match the enhanced rental rebate.

## Let BLG help you

The federal government's announcement does not provide any further guidance on the intended meaning of "projects that begin construction" as provided in the backgrounder and whether the enhanced GST Rental Rebate is intended to be available to projects with multiple phases, some of which may have begun construction prior on or prior to Sept. 13, 2023. Further, although the draft legislation confirms that the enhanced GST Rental Rebate is available if "construction begins" after Sept. 13, 2023, it does not address how the tax authorities will determine when construction will be considered to have begun. In the meantime, BLG can help you understand the implications of the proposed enhanced GST Rental Rebate to ongoing and future new residential rental construction projects.

If you have any questions or require more information, please reach out to any of the key contacts listed below.

By

[Beverly Gilbert](#), [Olivia Ruvo](#), [Jingcai Ying](#)

Expertise

[Tax Disputes & Litigation](#), [Commodity Tax](#)

## BLG | Canada's Law Firm

As the largest, truly full-service Canadian law firm, Borden Ladner Gervais LLP (BLG) delivers practical legal advice for domestic and international clients across more practices and industries than any Canadian firm. With over 725 lawyers, intellectual property agents and other professionals, BLG serves the legal needs of businesses and institutions across Canada and beyond – from M&A and capital markets, to disputes, financing, and trademark & patent registration.

[blg.com](http://blg.com)

## BLG Offices

### Calgary

Centennial Place, East Tower  
520 3rd Avenue S.W.  
Calgary, AB, Canada  
T2P 0R3

T 403.232.9500  
F 403.266.1395

### Ottawa

World Exchange Plaza  
100 Queen Street  
Ottawa, ON, Canada  
K1P 1J9

T 613.237.5160  
F 613.230.8842

### Vancouver

1200 Waterfront Centre  
200 Burrard Street  
Vancouver, BC, Canada  
V7X 1T2

T 604.687.5744  
F 604.687.1415

### Montréal

1000 De La Gauchetière Street West  
Suite 900  
Montréal, QC, Canada  
H3B 5H4

T 514.954.2555  
F 514.879.9015

### Toronto

Bay Adelaide Centre, East Tower  
22 Adelaide Street West  
Toronto, ON, Canada  
M5H 4E3

T 416.367.6000  
F 416.367.6749

The information contained herein is of a general nature and is not intended to constitute legal advice, a complete statement of the law, or an opinion on any subject. No one should act upon it or refrain from acting without a thorough examination of the law after the facts of a specific situation are considered. You are urged to consult your legal adviser in cases of specific questions or concerns. BLG does not warrant or guarantee the accuracy, currency or completeness of this publication. No part of this publication may be reproduced without prior written permission of Borden Ladner Gervais LLP. If this publication was sent to you by BLG and you do not wish to receive further publications from BLG, you may ask to remove your contact information from our mailing lists by emailing [unsubscribe@blg.com](mailto:unsubscribe@blg.com) or manage your subscription preferences at [blg.com/MyPreferences](http://blg.com/MyPreferences). If you feel you have received this message in error please contact [communications@blg.com](mailto:communications@blg.com). BLG's privacy policy for publications may be found at [blg.com/en/privacy](http://blg.com/en/privacy).

© 2025 Borden Ladner Gervais LLP. Borden Ladner Gervais LLP is an Ontario Limited Liability Partnership.