

Andrea Agnoloni



Significant Benefits, Credits, and Advantages when Purchasing a Home

Buying a home is a significant financial decision for every Canadian.

Tax incentives are available if some conditions are met; generally, the conditions favour first-time home buyers and purchases of lower-cost homes.

Home Buyers' Plan

Individuals can borrow up to \$25,000 from their RRSP to buy or build a qualifying home. A qualifying home is a housing unit located in Canada and acquired after January 27, 2009.

The amounts borrowed must be repaid into the RRSP over a period of 15 years. Missed payments will be added to the income of the individual.

For the RRSP amounts to be eligible for the withdrawal, the contributions must be made at least 90 days before the withdrawal.

The taxpayer must meet the following conditions.

- Enter into a written agreement to buy or build a home.
- Intend to occupy the home as a principal residence within 1 year of the purchase.
- Be a first-time home buyer, defined as not having owned a home that was occupied as a principal residence in the 4 calendar years prior to the withdrawal.

- Not have any outstanding amounts to be repaid into the RRSP from previous participation in a Home Buyers' Plan.
- Must be a resident of Canada.
- Must receive all the withdrawals in the same year.
- Make the withdrawals before the purchase or within 90 days of the purchase of the home.

Once the withdrawals have been made, the individual has until October 1 of the following calendar year to buy or build the home.

First-Time Home Buyers' Tax Credit

A nonrefundable tax credit of up to \$750 is available to the individual or the spouse of the individual acquiring a qualifying home, if the individual or the spouse has not occupied a principal residence in the year of acquisition or in any of the preceding 4 years.

GST New Housing Rebate

The maximum federal rebate is currently \$6300.

- The rebate is available to individuals who purchase a home to be used as a principal residence.
- The rebate allows the recovery of some of the GST paid for a new house or for the substantial renovation of a house.

The purchase price of the house must be less than \$450,000 before the GST.

The application for the rebate must be filed with CRA, generally not later than 2 years after the transaction has completed.

BC Property Transfer Tax

First-time home buyers may be eligible to eliminate or reduce the amount of the property transfer tax when purchasing the home.

To qualify for the full exemption from tax, the following conditions must apply.

- The individual must be a Canadian citizen or permanent resident.
- The individual must have lived in BC for 12 consecutive months before the date of the purchase or filed 2 income tax returns as a BC resident in the last 6 years.
- The individual has never owned an interest in a principal residence anywhere in the world at any time and has never received a first-time home buyers' exemption or refund.
- The property must be located in BC and have a fair market value of \$475,000 or less; it must be used only as a principal residence and must be 0.5 hectares or smaller.

Please consult a financial professional to discuss your specific situation. ▲

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