

This Month:

- Home Buyer's Plan
- Home Buyer's Amount

Home Buyer's Plan

The Home Buyer's Plan is a program that allows you to take a tax free, lump-sum withdrawal from your RRSP to buy or build a home for yourself or for a related person with a disability. Withdrawals of up to \$35 000 can be made but note that the withdrawal must be made using form T1036 "Home Buyer's Plan Request to Withdraw Funds from an RRSP".

After a two-year period, you must start making annual repayments to replenish your RRSP. There is a maximum of fifteen years provided for the repayment. Since the amount of funds withdrawn was not taxable, the repayment is not deductible and does not affect your RRSP deduction limit. If less than the required annual repayment is made, it will be added to your income.

Unless you are a person with a disability or you are helping a related person with a disability buy or build a home for their specific needs, you must be a "first time home buyer" to qualify for this program. A "first-time home buyer" generally means that in the prior 4 years, neither you nor your spouse/common law partner owned a home. As of 2020, there is an exception to this 4-year rule if there has been a breakdown of a marriage or common-law partnership, assuming the following criteria are met:

- you must have been living separate and apart from your spouse or common-law partner for at least 90 days due to a breakdown in the marriage or common-law partnership;
- you must sell your previous principal residence no later than the end of the second year after the year of withdrawal of funds from the RRSP;
- if you are buying an interest in a home from your former spouse or common-law partner, you must do so no earlier than 30 days before the withdrawal from the RRSP and no later than Sept. 30 of the year following the withdrawal;
- and if you have a new spouse/common-law partner at the time of the withdrawal, the new spouse or common-law partner must not own and occupy a home that is your principal place of residence.

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Home Buyer's Amount

You can claim a \$5,000 tax credit for the purchase of a qualifying home in the year if both of the following apply:

- you or your spouse or common-law partner acquired a qualifying home
- you did not live in another home owned by you or your spouse or common-law partner in the year of acquisition or in any of the four preceding years (first-time home buyer)



There is an exception to the "first-time" home buyer requirement for persons with a disability who qualify for the disability tax credit. However, for this exception to apply, the reason for the new home purchase is because it is a more accessible dwelling or in an environment better suited to the personal needs and care of that person.

The credit can be claimed by you or your spouse or common-law partner or split between the two returns as long as the \$ 5 000 amount is not exceeded. You can also claim the credit if you are purchasing the home for a family member who is disabled provided the home is more suitable for them as mentioned above.

Tax credits are applied against taxes payable at a 15% rate, so the Home Buyer's Amount provides a \$750 tax savings. British Columbia, Saskatchewan, Quebec and Nova Scotia also offer their own provincial tax credits for first-time home buyers.

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Padgett Business Services is dedicated to meeting the tax, government compliance, profit & financial reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business planning concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter.