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The Home Renovation Tax Credit

One of the biggest changes to the upcoming tax season is the introduction of the Home Renovation Tax Credit (HRTC). Here are some of the important things you will need to know about eligibility and claiming the appropriate expenses:

General Information

- The HRTC is a non-refundable tax credit based on eligible expenditures incurred for work performed, or goods acquired, AFTER January 27, 2009 and BEFORE February 1, 2010. The credit is ONLY available for the 2009 taxation year.
- The credit can be claimed on expenditures exceeding \$1,000 but there is a \$10,000 limit, for a maximum credit of \$1,350.
- The eligibility for the HRTC is family based (ie- only one credit can be claimed per family). However, the expenses can be split and credits claimed by each family member, so long as the total expenses claimed for the family do not exceed the maximum \$10,000.
- If a dwelling is owned jointly between two or more families, each family is eligible for their own separate credit.
- Supporting documents do not have to be submitted with the return upon filing, however the information must be available should the CRA request it.

Eligible Dwelling

- The credit can only be claimed for work performed or goods acquired in respect of an eligible dwelling, which includes:
 - An individual's principal residence, or that of their spouse or common-law partner or their children under 18 years of age, that is owned and ordinarily inhabited by the individual or their family.
 - Any other dwelling that is owned by an individual and used personally could qualify, including a cottage.
- A credit can be claimed on multiple properties during the year so long as they are owned and used personally, but only up to the maximum \$10,000 expenditures can be claimed on ALL properties.
- If there is a rental unit in an individual's principal residence, only the expenses related to the personal-use areas of the dwelling can be claimed. For expenditures made for common areas or that benefit the housing unit as a whole (such as a new furnace or roof) the expenses must be pro-rated between the

personal-use area and the rental area. The rental portion would continue to be claimed as a current or capital expense on the statement of rental income.

- Eligible expenses incurred by a strata corporation can be claimed, on a pro-rata basis, by individual's owning units in the condo or housing co-op.

Eligible Expenses

- Eligible expenditures are those incurred in relation to enduring renovations or alterations made to an eligible dwelling or the land on which it sits and include labour and professional services, building materials, fixtures, equipment rentals and permits.
- The expenditures for labour are ONLY eligible if the contractor is dealing at arm's length from the taxpayer (ie- not a parent, child, brother or sister), unless the contractor is registered for GST and is performing the work as part of their business.
- Examples of eligible expenses:
 - Kitchen, bathroom, or other significant renovations
 - Windows, doors, carpet or floors
 - New furnace, fireplace, water heater, central air conditions
 - Septic systems, wells
 - Fixtures- lights, fans, window coverings (blinds, shades that are directly attached to the window frame. Draperies and curtains are not considered fixtures, per below)
 - Electrical wiring, home security systems (excluding monthly monitoring fees)
 - Painting interior and exterior
 - Building additions, garages, decks, fences, retaining walls
 - New roof, driveway, shutters, awnings
 - Permanent swimming pools, hot tubs, pool liners, heat pumps and solar heaters for pools
 - Landscaping- new sod, shrubs, trees, large rocks, garden lighting, ponds
 - Costs associated with the above, such as installation, permits, equipment rentals
- Examples of ineligible expenses:
 - Furniture, appliance and audio and visual electronics
 - Purchasing of tools
 - Cleaning carpets
 - House cleaning
 - Maintenance contracts (furnace cleaning, snow removal, lawn care, etc)
 - Financing costs
 - Curtains and draperies





RRSP Overcontributions- A Brief Overview

Overcontributing to RRSP's is a common problem that can lead to tax consequences and one that many taxpayers are not aware of. Here is some general information on how RRSP overcontributions work and what the tax implications of them are.

In general, a taxpayer has made excess contributions to an RRSP, either their own or their spouse's, if their unused contributions from prior years and their current CALENDAR YEAR contributions are more than their RRSP deduction limit, plus \$2,000. If excess contributions are made, a tax of 1% per month applies for each month the excess contributions are left in the RRSP account.

It is important for taxpayers to be conscious of their available RRSP contribution room each year in order avoid excess contributions. If they have overcontributed to their RRSP accounts, it is important to ensure that the excess funds are withdrawn as soon as possible to minimize the amount of tax they may owe on the overcontribution.



Tax-Free Savings Accounts- What To Know

Many taxpayers are taking advantage of the new tax-free savings accounts (TFSA). Here are a few things to keep in mind when dealing with TFSA's:

- Contributions made to a TFSA are not tax deductible. However, income generated in the account and amounts withdrawn are tax-free.
- Interest paid on money borrowed to invest in a TFSA is also not tax deductible.
- Eligible taxpayers are residents of Canada who are at least 18 years old.
- The maximum amount that can be contributed in any year is \$5,000 per taxpayer (even if they have more than one TFSA account). In the year an individual turns 18, the maximum amount is not pro-rated (ie- they still get \$5,000).
- Individuals can contribute cash (including foreign funds), or make "in kind" contributions. The in-kind contribution must be of a qualified investment. The amount of the contribution will be the fair market

value of the investment. Upon transfer into the TFSA, there will be a deemed disposition of the investment at fair market value and a possible capital gain/loss will have to be reported by the taxpayer at that time.

- Spousal contributions are not allowed for TFSA's. The only person that can contribute to a taxpayer's TFSA is the taxpayer. However, money can be given to a spouse or common-law partner for them to contribute to their own TFSA without the attribution rules applying.
- Unused contribution room from one year carries forward and is available in future years. For example, if a taxpayer did not contribute anything to their TFSA in 2009, they can contribute up to \$10,000 in 2010. A taxpayer's contribution room for any given year will be indicated on their Notice of Assessment. Withdrawals made from a TFSA will be added back to a taxpayer's TFSA contribution room at the beginning of the following year.
- If at any time in a calendar month there is an excess TFSA amount in a taxpayer's account, they will be subject to a tax of 1% per month on the highest excess amount until the excess amount is withdrawn.

First Time Home Buyer Credit

Also introduced in 2009 is the Home Buyer's Tax Credit (HBTC), a non-refundable tax credit that allows first time homebuyers to claim \$5,000 as a homebuyer amount, for a total tax credit of \$750. The credit can only be if the following apply:

- The taxpayer or their spouse/common-law partner acquire a home in Canada AFTER January 27, 2009;
 - The taxpayer intends to occupy the home as their principal residence within one year of the purchase date; AND
 - The taxpayer qualifies as a first time homebuyer (ie- has not lived in another home they or their spouse/common-law partner owned in 2009 or any 4 preceding years);
- The claim for the HBTC can be split between the taxpayer and their spouse/common-law partner or another person who jointly purchased the home, but the total of all amounts claimed cannot exceed \$5,000 for the qualifying home purchase.

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