



## Home Buyers' Plan

The Home Buyers' Plan (HBP) provides Canadians with the opportunity to become homeowners.

In a nutshell, the plan allows individuals who qualify as first-time home buyers to withdraw up to \$25,000 tax-free from their RRSPs to buy or build a home. To avoid tax consequences, the amount withdrawn must be paid back to the RRSP over a 15-year period.

### Who qualifies?

A "first-time home buyer" is a Canadian resident who has not owned a home while occupying it as a principal place of residence at any time in the five calendar years up to and including the current year. For example, the period would start Jan. 1, 2009, for someone wishing to make an HBP withdrawal in 2013. Note that individuals who have lived in a home owned by their spouses in this time frame do not qualify for the program. If, however, both spouses qualify, a couple could borrow up to \$50,000. Those who have previously taken advantage of this plan and repaid the funds may be allowed to participate again – as long as they meet certain requirements.

Special provisions also exist to accommodate people with disabilities. Individuals who do not qualify as first-time home buyers may be eligible if they or a person related to them is disabled and the withdrawal is made to buy a home that is better suited to the disabled person's needs.

### How it works

To withdraw funds from their RRSPs without tax, individuals must complete Form T1036 and submit it to their RRSP issuer. In addition, they must have entered into a written agreement to buy or build a qualified home. Individuals may not acquire a qualifying home more than 30 days prior to withdrawing funds.

Generally, plan members must begin to use the home as a principal residence no later than one year after they acquire it. There are exceptions – for example, when an individual ends up buying a different home or construction of a new home is delayed. The amount borrowed is generally repaid in equal annual installments over 15 years. The first installment is due the second calendar year following the year in which the money was withdrawn, but can be made up to 60 days after that year end. Of course, repayments are not deductible as an RRSP contribution and they do not affect RRSP contribution room.

Example: Let's say a couple each withdraws \$15,000 in 2013. The first repayment will be due within 60 days of the end of 2015 (March 1, 2016). The minimum annual repayment for each spouse is 1/15 of \$15,000, or \$1,000. The RRSPs must be fully repaid by March 1, 2030 (i.e., 60 days after the 15th year).

### What if...?

**A plan member makes a second withdrawal ....**

- A couple planning marriage *or co-habitation* and the purchase of a new home, where one partner already owns a home, should make the Home Buyers' Plan withdrawal for the non-homeowner prior to the partner moving into the existing home.
- Those who find themselves with extra cash, and who have maximized deductible RRSP contributions, could pay off the RRSP loan faster to increase tax-sheltered growth in their RRSP.
- A retired person approaching 71 could choose to participate in the plan. After converting his or her RRSP to a RRIF, he or she could simply take 1/15 of the loan amount into income for tax purposes each year.

The key advantage of the Home Buyers' Plan is that it reduces new homeowners' mortgage interest expenses, often at a time when they are raising children and cash flow may be tight. However, discipline is needed to fund the repayments, along with other expenses associated with owning a home.

The key disadvantage of the plan is that the individual forfeits tax-deferred growth of the RRSP investments for a certain period. While a \$25,000 withdrawal from the RRSP may not seem significant at the time, over 17 years the opportunity cost is high. This potentially negative impact may, however, be offset by the long-term growth in the value of the home.

People who have RRSP savings and do not currently own a house, but wish to do so, may want to consider the Home Buyers' Plan. Interested individuals should obtain a copy of the Home Buyers' Plan guide from [Canada Revenue Agency \(CRA\)](#) to ensure they understand all the rules. The guide is available on its website or from a Tax Services office of the CRA. Every situation has to be assessed on its own merit to determine if the program is an option that makes sense. Since individual situations vary, individuals should consult their tax advisers about their particular circumstances.

### For more information

**talk** to a CIBC Advisor at any branch

**call** 1 800 465-CIBC (2422)

**go to** [www.cibc.com](http://www.cibc.com)

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## Home Sweet Home – Tax Tips For Homeowners

by Jamie Golombek

*With spring in the air, house-hunting season is in full bloom. Whether you're looking to buy your first home, you're already a homeowner or you sold your home in 2010, here are some tax tips to keep in mind.*

### 1. TAX FILING TIPS (2010 RETURNS)

#### Home Buyers' Tax Credit (line 369)

If you purchased a new home in 2010, don't forget to claim the Home Buyers' Tax Credit. Introduced in 2009, this new non-refundable tax credit is worth \$750 to "first-time home buyers," who acquired a home after January 27, 2009, the date of the 2009 budget.

For the purposes of this credit, you are considered a first-time home buyer if neither you, nor your spouse or partner, owned and lived in another home in the calendar year of purchase, or any of the four preceding calendar years.

The credit is also available for the purchase of a home either by, or on behalf of, an individual eligible for the disability tax credit if the home enables the disabled individual to live "in a more accessible dwelling or in an environment better suited to the personal needs and care of that person."

Any unused Home Buyers' Tax Credit can be claimed by your spouse or partner. Note, however, that even if each spouse or partner uses his or her own funds to jointly purchase a new home, the Home Buyers' Tax Credit is still limited to one credit of \$750 (as opposed to \$750 for each spouse or partner).

#### Home Buyers' Plan Repayments (Schedule 7)

The federal Home Buyers' Plan (HBP) currently allows a first-time home buyer to withdraw up to \$25,000 from his or her RRSP to purchase, or construct, a new home without having to pay tax on that withdrawal.

Under the HBP, any funds withdrawn must be used to acquire a home before October 1<sup>st</sup> of the following year. Amounts withdrawn under the HBP must be repaid over a maximum of 15 years, or the amount not repaid in a year is added to the participant's income for that year.

If you participated in the HBP previously and were required to make a repayment for 2010, be sure to designate a portion of your RRSP contributions as a HBP repayment on Schedule 7 of your personal tax return, under "PART B – Repayments under the HBP..."

#### Provincial Property Tax Credits

If you're a resident of Quebec, Ontario or Manitoba, you may get some additional tax relief on your property taxes. Quebec provides a refund for property tax paid during the year (line 460 of the Quebec Provincial tax return), while both Ontario (Form ON 479) and Manitoba (Form MB 479) provide a tax credit for property tax or rent paid during the year.

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# Home inspectors develop national standards



The home inspection industry in Canada hopes to have a national code of occupational standards and a certification program for inspectors within the next two to three years.

Some provincial associations such as the Ontario Association of Home Inspectors (OAHI) offer certification designations and extensive training programs, but so far there is no standard across the country. There are also a number of private inspection associations and organizations across the country, each with different inspection standards and levels of qualification.

The Canadian Association of Home and Property Inspectors (CAHPI) is the driving force behind this national initiative along with support from CMHC and Human Resources Development Canada. CAHPI hopes a national certification program will elevate the level of professionalism in the home inspection industry especially in the eyes of consumers and lead to regulation of the industry.

Along with minimum standards to become a certified home inspector, the association is also developing a code of ethics and standards of performance for training home inspectors.

## Useful questions to ask a home inspector

National standards for all home inspectors in Canada are coming within the next few years. In the meantime, the following questions can help your buyers or sellers to select a "qualified" private home inspector:

- How long have they been working as home inspectors?
- What qualifications, training and education do they have?
- Do they belong to an industry association?
- Can they provide references?
- What does the inspection include?
- Is the inspection strictly visual?
- Can the client accompany the inspector during the inspection?
- Are there re-inspections if necessary, to inspect repairs?
- Do they also do renovation work?
- Are they working on behalf of a real estate professional?
- Will a written report be provided and when?
- Will they identify current problems as well as those that are imminent?
- Do they have errors and omissions insurance?
- Do they have any disclaimers or limitations as part of their contract?