CESTNICK

TAX MATTERS

Tax tips for buying, building, renovating or selling a home

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My good friend Derek just bought a new home and he's going through a renovation. "Looks like you're giving your kitchen a big makeover," I said as he gave me a virtual tour last week. "Yeah, I told myself that my next home wouldn't have a kitchen," Derek said. "I'm going to install vending machines instead," he explained. Derek has never been a good cook. We then talked about some tax tips related to his home that could save him money. In fact, whether you're buying, building, renovating or selling, here are some ideas that can put money in your pocket.

BUYING OR BUILDING

If you're buying or building a home, consider these ideas.

Claim the Home Buyers' Amount. You may be able to claim a $5,000 amount if you buy or build a qualifying home this year that you intend to live in. To qualify, you cannot have lived in another home that you or your spouse (or common-law partner) owned in any of the previous four years. A qualifying home must be in Canada and can be a single-family home, semi-detached, townhouse, mobile home, condominium unit or an apartment. This non-refundable credit can save you $750 in taxes.

Claim a GST/HST rebate. If you buy from a builder, build or engage someone else to build or substantially renovate a home to use as your principal residence, you may be able to claim a new housing rebate for some of the GST/HST that you pay on your home.

Use the Home Buyers' Plan. The Home Buyers' Plan (HBP) allows you to withdrawal up to $35,000 from your registered retirement savings plan on a tax-free basis to buy a home. You'll have to be a first-time home buyer – which means that you did not occupy a home that you or your current spouse (or common-law partner) owned in the past four years. Also, you'll have to repay the funds to your RRSP over 15 years in accordance with the taxman's schedule.

The rules are complex, so do some research or speak to a tax pro before using the HBP.

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As deadline looms to file taxes, some filers say CRA should grant extension due to COVID-19 pandemic

RENOVATING

If you're going to renovate your home in 2021, consider these benefits.

Claim home accessibility expenses. If you're 65 or older at the end of this year you may be entitled to claim up to $10,000 in eligible renovation expenses that you incur to make your home more accessible. You'll also be entitled to claim this non-refundable tax credit if you're disabled (and eligible for the disability tax credit), or you're a parent, grandparent, child, grandchild, brother, sister, aunt, uncle, niece or nephew of a qualifying individual. The taxman has provided examples of eligible expenses at canada.ca. Finally, some of these expenses may also qualify for the medical expense tax credit (METC) and, if this is the case, you can claim both this home accessibility tax credit and the METC.

Claim medical expenses. Further to the METC mentioned above, our tax law will allow you to claim, as a medical expense, alterations to your home, or construction costs in cases where you lack normal physical development or have a severe and prolonged mobility impairment. Costs that you incur to help you gain access to, or be more mobile or functional in your home, can qualify if they're not the type of costs that most homeowners would incur.

SELLING

Are you selling your home in 2021? Think about the following items.

Report the sale of a residence. It was in 2016 that the taxman started requiring Canadian residents to report all sales of properties on their personal tax returns. This is true even if the property is your principal residence and won't give rise to tax on the sale. It's Schedule 3 that you'll need to complete to report the sale of a property.

Decide on regular income or capital gains. It may not always be clear whether the profit on the sale of your property is taxable as regular income, or capital gains. If the property is considered "capital property" then the profit will be a capital gain. An example of this would be a rental property that generates income. In some cases, the property may be more akin to business inventory (a quick purchase and flip for a profit, for example) and the profit could be taxable as regular income. Make sure you speak to a tax pro about this issue before filing your return.

Claim the principal residence exemption. If your property is capital property, and you ordinarily inhabit the place, it may qualify as a principal residence – regardless of where in the world it's located. In this case, you may be able to claim the principal residence exemption to shelter the sale from tax. The rules around the exemption are complex, so speak to a tax pro.

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