



CESTNICK

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TAX MATTERS

## Ideas from the budget for more affordable housing

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Today, I want to look at a few measures from the federal budget that are designed to make home ownership more affordable. You may be able to take advantage of a few of them.

### **Tax-Free First Home Savings Account**

The new FHSA is a registered plan, similar to a registered retirement savings plan or tax-free savings account, that will allow first-time homebuyers (those who have never owned a home, or who have not owned one in the last four years) to save money to buy a home. These plans will become available in 2023 and will allow you to contribute up to \$8,000 per year, to a maximum of \$40,000 in a lifetime. You'll get a tax deduction for any contributions, and you won't face tax on withdrawals (including the accumulated growth in the plan). Every Canadian taxpayer who has not owned a home should set up a FHSA when they become available. [I explained this more fully in my article from last week](#), but the key reason is that you can transfer the funds in your FHSA to your RRSP if you don't end up buying a home – and this is over and above your usual RRSP contribution room. So, at a minimum, this is like

additional room to bolster your retirement savings.

### **Home Buyers' Tax Credit**

If you're a first-time homebuyer (which I defined above, but here it also includes those who qualify for the Disability Tax Credit), you can claim a Home Buyers' Tax Credit when you buy a home. The credit was doubled in the federal budget last week, so that you'll be entitled to a credit on \$10,000, which will provide \$1,500 in tax savings for eligible homebuyers. This applies to home purchases on or after Jan. 1, 2022. So, if you've already purchased a home this year, don't forget to claim the extra tax savings when you file your 2022 tax return next year.

### **Home Accessibility Tax Credit**

If you're 65 or older, or you're eligible to claim the Disability Tax Credit, then you may be allowed some tax relief in the form of the Home Accessibility Tax Credit if you make renovations to your home to improve accessibility in your home. This might include, for example, building a bedroom or bathroom on the main floor if you have trouble climbing

stairs. The federal budget doubled this credit so that it can be claimed on up to \$20,000 of expenses, which will save federal taxes of 15 per cent of the amount claimed (a maximum of \$3,000). So, if you or a loved one could benefit from some renovations to improve accessibility, be sure to claim this credit. The enhanced value of the credit applies to expenses incurred in 2022 or later years.

### **Multigenerational Home Renovation Tax Credit**

The federal budget introduced this new tax credit. It can be claimed on up to \$50,000 of eligible costs incurred to add a second living unit at home to allow for a relative age 65 or older, or someone with a disability, to live with you. They can move into your home, or you can move into theirs. The federal taxes saved will be 15 per cent of the amount claimed, or a maximum of \$7,500 in tax savings. This credit is refundable, so that even if you have no tax to pay against to claim this credit, you'll get cash back from the government. The credit will apply to costs incurred in 2023 or later years – so try planning ahead if you're thinking of living with your parents, children or another eligible relative.

### **Foreign buyers' ban**

In order to encourage more housing to be owned by Canadians rather than foreigners, the budget proposed restrictions for the next two years that will ban foreign commercial enterprises and people who are not Canadian citizens or permanent residents from buying non-recreational, residential properties in Canada. There are exemptions for certain folks, such as refugees, certain

international students and those on work permits living in Canada.

### **Residential property flipping**

If you're into buying and flipping homes for a profit, the budget proposes to tax you on profits as business income, not capital gains, if you hold the property for less than 12 months. There are some exemptions from this rule if you have to sell for certain reasons, such as a new job, a death in the family and a few other situations that will be expanded upon in rules to be released soon. This new measure applies to sales on or after Jan. 1, 2023. So, you have the balance of this year to sell under the current rules – which may still cause you to pay tax on your profits as business income, but you'll avoid a black-and-white test where you can't even argue capital gains treatment.

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