

ELIGIBILITY GUIDELINES FOR THE FIRST-TIME HOMEBUYERS'





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Is there any topic as hotly discussed around Canadian kitchen tables as housing affordability?

With the housing market in many of Canada's biggest cities continuing to froth unnervingly, homebuying is an evergreen topic — most especially to those hoping to make their first step up the property ladder. There is help for the first-time homebuyer, however. The government of Canada has instituted various programs designed to assist first-time homebuyers entering the path to ownership. Among those is the first-time Home Buyers' Amount (HBA), a tax credit for first-time homebuyers.



What is the first-time homebuyer tax credit?

Often also referred to as the new homebuyers' tax credit, the HBA is not to be confused with the Home Buyers' Plan (HBP), which allows purchasers to dip into their RRSPs tax-free and then repay the amount over time.

Rather, the HBA is a tax credit for new homeowners. People who purchase their first home can claim up to \$5,000 against their taxes, thus reducing the amount of federal tax they might pay the year they bought their home. The tax break is based on the lowest personal income tax rate for the year you buy your home. In 2021, that's 15%, so eligible first-time buyers would receive a tax rebate of \$750 for homes purchased this year.



Eligibility rules for the first-time homebuyers' tax credit

Any kind of home located in Canada is eligible, whether completed or still under construction: a detached or semi-detached house, a townhome, an apartment such as a duplex or triplex, or a mobile home. A share in a co-operative is also eligible if it gives you ownership rights to the property. To get the tax credit, first-time homebuyers or their spouse or common law partner have to be purchasing their first home, and cannot have legally owned a home in the last four years.

That last point isn't too common but if, for example, a family put their home in an adult child's name, that child would be ineligible for the credit, at least until four years after no longer legally owning the property, despite not having technically "bought" a home.



How to claim the first-time homebuyers' tax credit

For those who are eligible, the process of claiming the HBA credit is simple enough. When filling out their tax return, first-time homebuyers can simply fill in the appropriate details on line 31270 of their tax filing for that year and the credit is applied to their return.

Spouses or common law partners can split the credit, but the total cannot be higher than \$5,000.

Though the program is designed to help those buying a first home, there is one notable exception. Anyone who is eligible for the federal disability tax credit, or who is either purchasing or building a home for someone who is can also claim the first-time homebuyer tax rebate.



It is true that with house prices heading up to eye-watering, often seven-figure levels, a \$5,000 credit may not make or break the decision to buy a home. But as with all government incentives, the key is to know what one is entitled to and take advantage of what is available. So if you're a first-time homebuyer in Canada, look into the HBA tax credit.

After all, those who are good with money know that what is true with the first-time homeowners tax credit is true of all financial things: every little bit helps.



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