

Government Programs to Aid Home Buyers



By Brian Madigan

There are three government programs that you should consider if you are purchasing a home.

The first is the opportunity to borrow up to \$ 20,000.00 from your RRSP under the Home Buyers' Plan. You will be entitled to participate if you are buying or building a "qualifying home". This means any housing unit in Canada and you must intend to occupy it as your principal residence within a period of one year after you acquire it. Once you occupy it however, there is no further time limitation. You don't have to stay there for any specific period.

Participation in the plan is limited to first time buyers and those assisting a disabled relative. You are not considered to be a first time home buyer if you or your spouse or common-law partner owned a property that you occupied as your principal place of residence beginning on the 1st day of January of the fourth year before the year of withdrawal of the funds. So, if you were planning to use this program starting this year, you cannot have owned and occupied a principal residence since 1 January 2002.

Each spouse or partner will qualify on an individual basis. So, you might have one qualify as a first time home buyer and the other may not. If both of you qualify, then you will be able to utilize up to \$ 40,000.00 in RRSP funds.

What's the catch? You have to repay your RRSP within a 15 year period and in the meantime you didn't have the opportunity of tax-free compounding within the RRSP.

The second government incentive is a partial rebate of the GST on new homes.

The New Housing Rebate is intended to benefit the owners of new homes valued at less than \$ 450,000.00. There is a complex formula to calculate the rebate. In most new housing developments the builder will have the purchaser assign the right to the rebate and apply this amount towards part

payment of the purchase price. So, in most cases it will simply be buried in the purchase price.

New homes are subject to the 7% GST and new home buyers can apply for a 2.52 % rebate of the 7% GST, to a maximum of \$8,750 for homes costing less than \$350,000 before GST. For new homes priced between \$350,000 and \$450,000 before GST, the GST rebate would be reduced proportionately. New homes valued at \$450,000 or more before GST will not qualify for a rebate. Substantially renovated homes are included in the definition of new homes.

There is, of course, no GST on resale homes.

The third government incentive is a rebate of the Land Transfer Tax for first time home buyers of newly constructed homes. The maximum refund is \$ 2,000.00. Since this program is offered by the Province, the definitions are slightly different. A newly constructed home means one to which the Ontario Home Warranties Plan applies and again this may include a substantially renovated property. However, first time means first time. There is no four year limit. It simply means “ever, at anytime, anywhere in the world”.

Also, you will not qualify if your spouse or same sex-partner owned a home at anytime while you were married, or lived together (for 3 years or had a child).

The programs can be attractive but the provisions are somewhat complex and you should check the appropriate government sources to ensure their applicability to your specific circumstances prior to relying upon them.

Brian Madigan LL.B., Realtor is an author and commentator on real estate matters, Coldwell Banker Innovators Realty Inc. 905-796-8888, or visit www.OntarioRealEstateSource.com.