**New Federal Programs and Notable Changes**

**1) Tax-Free First Home Savings Account (FHSA)**

The budget proposes the creation of the Tax-Free First Home Savings Account (FHSA), a registered account that will assist individuals in saving for their first home.

**a) Eligibility**

* Canadian resident
* At least 18 years of age
* Not lived in a home they owned in the year the account was opened, or
* In any of the preceding four calendar years

**b) Contributions**

* Lifetime limit: $40,000
* Annual limit: $8,000
* Note that unused annual contribution room cannot be carried forward
* Individuals can hold multiple FHSAs, but contributions cannot exceed their annual or lifetime limits
* Full annual contribution limit will become available starting in 2023

**Contributions to the FHSA will be tax-deductible and income earned within the FHSA will not be subject to tax.**

**c) Withdrawals**

* Non-taxable withdrawals may be made only for purposes of purchasing a qualifying first home. Withdrawals for any other purpose will be taxable as income in the year withdrawn.

**2) Home Buyers’ Tax Credit (HBTC)**

Budget 2022 proposes a non-refundable Home Buyers’ Tax Credit of up to $1,500 to be available to first-time home buyers who purchase a qualifying home. Under the budget, the HBTC amount will be doubled to $10,000. Spouses and common law partners can split the value of the credit if the total credit does not exceed $1,500.

**a) First-time home buyer**

* A first-time home buyer is an individual (or their spouse or common law partner) who has not lived in another home owned in the calendar year of the home purchase, or any of the four preceding calendar years. An individual who may not be a first-time home buyer, but qualifies for the Disability Tax Credit, may be eligible for this HBTC.

**b) Qualifying home**

* This is a home that the individual or their spouse or common law partner intends to occupy no later than one year after purchase.
* The eligible senior would be 65 years or older, at the end of the taxation year, including the end of the renovation period, or
* Individuals 18 or older who are eligible for the Disability Tax Credit at the end of the taxation year, including the end of the renovation period.



**3) Multigenerational Home Renovation Tax Credit (MHRTC)**

Budget 2022 introduces a new refundable Multigenerational Home Renovation Tax Credit (MHRTC), which would account for certain eligible expenses for a qualifying renovation – meaning a renovation that creates a secondary dwelling unit for a senior or a person with a disability to live with a relative. Only one qualifying renovation is permitted for the MHRTC per individual over that individual’s lifetime.

* A secondary unit is defined as a self-contained unit that has a private entrance, kitchen, bathroom and sleeping area.

The MHRTC will be applicable for renovations occurring after January 1, 2023.

1. **Eligibility**

* A qualifying relative is an individual 18 years or older at the end of the taxation year, including the end of the renovation period. These individuals include the following relatives of the eligible person: Parent, Grandparent, Child, Grandchild, Brother, Sister, Aunt, Uncle, Niece, Nephew

**b) Eligible claims**

* The MHRTC can be claimed by the following persons: An individual who ordinarily resides or intends to ordinarily reside in the property within 12 months of the renovation being completed. This could be an eligible person, the spouse or common law partner of an eligible person, a qualifying relative, or a qualifying relative who owns the house.
* Claims cannot exceed $50,000 of qualifying renovations, irrespective of the number of claimants.

**c) Eligible dwelling**

* This is a unit that is owned either solely or jointly by an eligible person, their spouse or common law partner, or in regard to a qualifying relative, if that individual ordinarily resides or intends to ordinarily reside in the property within 12 months of the renovation being completed.

**d) Qualifying renovation**

* Qualifying renovation must be of:  An enduring nature and integral to the dwelling, and result in the creation of a secondary unit within the dwelling

**e) Renovation period**

* Starts when the building permit is applied for and concludes when the renovation passes a final inspection and proof of completion.

**f) Eligible expenses**

* Include: Cost of labour, Building Materials, Fixtures, Equipment rentals, Professional services, Permits

**g) Ineligible expenses**

* Include:  Items that retain their value (construction equipment and tools), Annual, recuring or routine repair or maintenance
* Cost of household appliances, Cost of financing a renovation, Goods or services provided by a person not dealing at arm’s length with the MHRTC claimant, unless the provider is registered for HST/GST