THE STAN CLARK FINANCIAL TEAM'S

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THE 2022 FEDERAL BUDGET: HIGHLIGHTS FOR INDIVIDUALS AND HOME OWNERS

By Sylvia Ellis, Senior Estate Planning Advisor

In April the Canadian government tabled its 2022 Federal Budget. Jamie Golombek, Managing Director, Tax and Estate Planning, CIBC Private Wealth, then shared his insights on the new Budget. I've highlighted here some excerpts from Jamie's article, with a focus on individuals, specifically home owners.

Tax-Free Home Savings Account (FHSA)

The FHSA is a new registered account to help individuals save for their first home. Contributions to an FHSA would be tax-deductible. Income earned in an FHSA would not be taxable while in the plan, nor when qualifying withdrawals are made to buy a first home.

To open an FHSA, you must be at least 18 years of age and a resident of Canada. In addition, you can't have lived in a home that you owned either in the year you open the account or during the prior four calendar years. Individuals can only participate in an FHSA once, and only to purchase a single property.

There's a lifetime contribution limit of $40,000. The annual contribution limit of $8,000 begins in 2023.

The Home Buyers' Plan (HBP) continues on. The HBP allows individuals to withdraw up to $35,000 from a Registered Retirement Savings Plan (RRSP) to purchase or build a home without having to pay tax on the withdrawal.

Note: You won't be permitted to make both an FHSA withdrawal and an HBP withdrawal for the same home purchase.

Anti-flipping rule

As Jamie points out, the government is still concerned with individuals who purchase residential real estate with the intention of *flipping* it, that is, selling it after only a short time. Under our tax law, where properties are flipped, the profit is fully taxable as business income. In other words, flipped properties are not eligible for the 50% capital gains inclusion rate, nor for the Principal Residence Exemption (PRE).

The CRA has been cracking down on perceived abuse of the exemption. In a recent letter campaign, the CRA wrote to individuals "who may have applied the principal residence exemption in error." The 2022 budget proposes to introduce a new *deeming rule* to ensure that profits from flipping residential real estate are always subject to full taxation. Specifically, profits arising from the disposition of residential real estate, including rental properties, that were owned for less than 12 months would be deemed to be business income. Again, the PRE would not be available.

The new deeming rule won't apply, however, if the sale or the disposition is related to a life event, including: death; a household addition; separation; personal safety; disability or illness; employment change; insolvency; or an involuntary disposition such as an expropriation. The measure will apply to any sales of residential properties commencing January 1, 2023.

Home Buyers' Amount Tax Credit

This is a 15% non-refundable federal credit for first-time home buyers. To qualify, you or your spouse/partner must not have lived in another home owned by either of you in the same year, nor in any of the four preceding calendar years. The maximum tax credit is currently $750. The Budget proposes to double it to $1,500 to help pay the extra costs of buying a home, including closing costs, legal fees, transfer taxes and inspections.

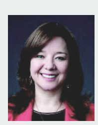
Home Accessibility Tax Credit

This is a 15% non-refundable credit that provides recognition of eligible home renovation or alteration expenses made for an individual who is at least 65 or is entitled to the Disability Tax Credit. The Budget proposes to double the amount eligible for the credit to $20,000 (from $10,000), effective for the 2022 tax year.

Multigenerational Home Renovation Credit

This credit provides a 15% refundable credit for eligible expenses (up to $50,000) incurred for a qualifying renovation that creates a secondary dwelling unit to permit an eligible person (a senior or a person with a disability) to live with a relative. The credit can be claimed either by the eligible person or by the qualifying relative.

For more insights, we encourage you to check out Jamie Golombek's original article. Jamie discusses such additional Budget details as tax measures relating to business owners and charities.



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