

RRSP Home Buyers' Plan

MOST WITHDRAWALS from your registered retirement savings account ("RRSP") are included in your income. However, there are some exceptions. One of the main exceptions relates to the RRSP Home Buyers' Plan. Under this plan, you can withdraw up to \$25,000 from your RRSP for the purpose of purchasing a home on a tax-free basis. If you are married or in a common-law partnership, your spouse or partner can also withdraw up to \$25,000 from their RRSP tax-free. So, the two of you can withdraw a total of \$50,000. There are several conditions that must be met regarding the following issues:

Previous home ownership

You can participate in the plan only if you and your spouse (or partner) did not own an owner-occupied home in the period going back to the beginning of the fourth year before the withdrawal, and ending 31 days before the withdrawal. For example, if you want to withdraw an amount on 31 August 2017, neither you nor your spouse must have owned a home from the beginning of 2013 to the end of July 2017. However, you could acquire your home within the 30 days before 31 August 2017 and still make the withdrawal.

Disability Tax Credit

If you are disabled—and qualifying for the Disability Tax Credit (DTC)—or are acquiring the home for a disabled relative (again, qualifying for the DTC), the above four-year ownership period limit does not apply. In other words, you can still withdraw under the plan even if you or your disabled relative owned a home in the four-year period before the year of withdrawal. However, in such case, the new home must be one that is more accessible by the disabled person, or in which that person is more mobile or functional, or it must provide an environment better suited to the personal needs and care of the disabled person.

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New family caregiver credit



Until recently, there were two different tax credits that applied in similar situations. You could claim the **In-home Caregiver Credit** if a related infirm dependant 18 years or older was dependant on you and lived with you. A credit was also allowed if your non-infirm parents or grandparents lived with you, and were 65 or over. You could claim the **Infirm Dependant Credit** if a related infirm dependant 18 years or older was dependant on you. However, unlike the caregiver credit, the dependant was not required to live with you. Both credits were repealed by the 2017 Federal Budget, and replaced with a single new “**Canada Caregiver Credit**”, applicable to 2017 and subsequent years.

The new **Canada Caregiver Credit** applies where you have a related dependant 18 years of age, or older, who is dependent on you by reason of mental or physical infirmity.

The credit amount is the same amount as the former credits, increased in 2017 because of inflation indexing, as happens automatically every year.

The credit uses the higher income threshold of the former in-home caregiver credit; the credit is phased out when the dependant's income exceeds \$16,163, the 2017 amount.

Like the former infirm-dependant credit, this credit applies regardless of whether the dependant lives with you.

Unlike the former in-home credit, this credit does not apply in respect of non-infirm senior parents or grandparents. ■





AROUND THE COURTS

Normally, if an employer pays for an employee's parking at or near the workplace, the amount paid is a taxable benefit for the employee. As such, the employer must report the amount on the employee's T4 slip.



Parking pass for employee was a taxable benefit

ACCORDING TO the Canada Revenue Agency ("CRA") a taxable benefit does not arise if the parking provided is "scramble" parking, which generally means a public parking lot where the number of available spaces is less than the amount of parking passes available. For example, if there are 100 parking spots available during the day, and more than 100 employees have parking passes, this will normally constitute "scramble" parking, and there will be no taxable benefit.

THE CASE

In the recent Smith case, the taxpayer was a flight attendant with a Canadian airline. He lived in Calgary, and was provided a free parking pass from the airline for parking near the Calgary airport. Apparently, there were many more parking spots available than the number of parking passes provided, so it was not "scramble" parking.

THE ASSESSMENT

The CRA assessed the taxpayer, including in his income the amount paid by his employer for the parking pass.

THE ARGUMENT

The taxpayer argued that the parking pass should not be a taxable benefit. He argued that the airline required the flight attendants to be "reliable and flexible", and could be asked to work on short notice. Essentially, he argued that the parking pass was more of a benefit to the airline because the attendants would be more likely to show up for work on a punctual basis.



THE DECISION

On appeal to the Tax Court of Canada, the CRA assessment was upheld. The Court conceded that the airline may have benefitted somewhat from the parking passes. However, it also concluded that the "evidence did not show that flight attendants who commuted to the Calgary airport using their own car were more reliable and flexible than those using other means of transportation". Therefore, the parking pass benefited the employee more than the employer, and it was a taxable benefit to the employee. ■



Interest-free
loan from
the RRSP
...to you

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Timing of acquisition

In terms of when you must acquire the home, you must acquire it in the period beginning 30 days before the withdrawal and ending on 30 September of the year following the withdrawal. Therefore, in the above example, you could acquire the home from 1 August 2017 through the end of September 2018. You must inhabit the house as your principal residence within one year after the acquisition.

Formal requisition

In order to withdraw the funds tax-free, you must provide your RRSP issuer with the Form T1036 "Home Buyers' Plan (HBP) - Request to Withdraw Funds from an RRSP", which sets out the location of the home and that you reside in—or intend to reside in—within one year of acquiring the home. Also, you must have already entered into an agreement to purchase the home or to have it built.

Repayment

The withdrawal from your RRSP under the Home Buyers' Plan is essentially an interest-free loan from the RRSP to you. You must repay the withdrawal in a maximum of 15 annual instalments. The first payment is due in the second taxation year following the withdrawal, and it can be made in that taxation year or within 60 days after that year. To the extent that you do not fully repay the required instalment amount in a year, the amount not repaid is included in your income. ■



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