
TAX AND BUSINESS UPDATE DECEMBER 2009

Home Renovation Tax Credit

In its February 2009 budget, the government of Canada introduced a new *non-refundable* tax credit designed to help stimulate the Canadian economy. This credit is known as the Home Renovation Tax Credit (HRTC) and it is likely that many taxpayers will take advantage of the \$1,350 income tax savings that can result from a maximum claim. As a result of this significance, this December Tax and Business Update concentrates on the credit and includes several articles on the basic rules, bookkeeping requirements and special situations. We hope that this information will be of assistance and will avoid some of the potential problems that may result from an incomplete or inaccurate claim. For more information, please contact us at 250 492-8821.

HRTC—Basic Rules

As noted above, the federal government has introduced a 2009 tax credit based on eligible expenditures for home renovation projects. Here are the basic rules:

The credit is family based. It may be split amongst members of the same family, but the total credit cannot exceed \$1,350. Family includes spouses, common law spouses and children under 18.

If two or more families share a dwelling, each family may claim the credit.

The HRTC is based on 15% of eligible expenses for work performed or goods acquired after January 27, 2009, and before February 1, 2010, under an agreement entered into after January 27, 2009, related to an eligible dwelling. There is no claim if the expenditures are less than \$1,000 and the maximum that may be claimed is \$10,000.

Eligible properties include dwellings that meet the principal residence rules. These include your home and recreational properties that are occupied personally. If you earn rental income from an otherwise eligible property, you can only claim the credit for renovations made to the personal use areas.

The claim must be supported by acceptable documentation such as an invoice which includes the name, address

and GST number of the supplier, a description of the goods and/or work performed, the date of delivery or service, the amount of the invoice and proof of payment.

The list of qualifying expenditures is extensive and includes such items as:

- Renovations, excluding normal repairs
- New doors and windows
- New flooring
- New furnaces, fireplace, home heating systems, air conditioning systems, solar panels, alternate energy systems, etc.
- Interior or exterior painting
- New garages, decks, storage sheds, fences etc.
- New driveways, paths, patios, decks, swimming pools and landscaping projects

Non-eligible expenses include:

- Used goods, tools, furniture, appliances and audio and visual electronics and equipment
- Carpet or house cleaning
- Maintenance contracts (e.g., furnace cleaning, snow removal, lawn care, and pool cleaning)
- Financing costs

A complete list of eligible expenditures can be found on the Canada Revenue Agency website.

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HRTC—Bookkeeping Recommendations



It is important to set up an appropriate system for keeping track of your eligible expenses. For example, a receipt for a home renovation expense will be disallowed if it does not show proof of payment. Therefore, in addition to the actual suppliers' receipt showing the date of purchase, the name, address and GST number of the supplier, a description of

the product, delivery address and details, you should also keep your credit card receipts or cancelled cheques. If you do not have proof of payment, you should obtain a written receipt from the supplier.

We recommend keeping all relevant receipts in a folder or binder and preparing a summary of all eligible expenses to be used for tax purposes next spring. We would be pleased to provide an Excel Template that could be used for this purpose. Please contact us by email if you wish to receive a copy. (info@harveylisterwebb.com)

HRTC – Special Situations

Incomplete Work

Renovation work must be completed by February 1, 2010 to be eligible for the credit. If work is only partially complete, a claim may be made for the completed portion only, even if payment in full has been made.

Undelivered or Uninstalled Goods

If eligible goods have been purchased and paid for prior to February 1, 2010, but not delivered or installed, they will still qualify for the credit.

Recreational Properties

Renovation expenses incurred during the eligible period for recreational properties will likely qualify for the credit. However, to be eligible, the recreational property must be ordinarily occupied by you or your family at some time during the qualification period. For example, if you spend two weeks in your ski condo during winter holidays and occupy it on the weekends, it will likely qualify. Even the receipt of occasional rental income will not prevent you from claiming the credit. However, if the main purpose of the property is to earn rental income, it will not qualify.

Strata Corporations

Renovation expenditures incurred by strata corporations for renovations to condominium buildings will also qualify for the credit. Essentially, your share of the eligible expenses will qualify if the condo is your home and the expenses are incurred during the eligible period. Also, the strata council must advise you in writing of your share of the eligible expenses. These rules will apply to expenses

incurred for common areas, as long as those areas are considered to be part of your eligible dwelling.

Properties Sold Before the End of the Year

If you sell your otherwise eligible property before the end of the qualification period, eligible expenses will still qualify. This is true even if you have purchased a second property during the year. Your total claim for both properties cannot exceed \$10,000.

Landscaping is a qualifying expenditure for the HRTC!



Name Those Beneficiaries

This is just a reminder to all individuals who own deferred income plans to seriously consider advising the plan administrators of the beneficiaries of the plans. Deferred income plans include Registered Retirement Savings Plans (RRSP), Registered Retirement Income Funds (RRIF), Pensions, Deferred Profit Sharing Plans (DPSP) and Tax Free Savings Accounts (TFSA.) There are two reasons for this reminder. First, naming a beneficiary will avoid probate fees and these can be very expensive. Second, some deferred plans can be transferred tax free to a spouse and on a tax reduced basis to dependent children. If the specific beneficiaries are not named, there is a chance that the tax free transfer will not be available.

If you have any concerns about this, or are not sure if your beneficiaries have been named in your deferred plan, please contact your plan administrator.

Compliments of the Season

The partners and staff of Harvey, Lister & Webb wish all of their clients a very Merry Christmas and a Happy New Year.