



Did You Know?

(A publication for the clients and contacts of Gary S. Aslett, Chartered Accountant)

HOME RENOVATION TAX CREDIT

Earlier this year I provided you with some preliminary information on the new Home Renovation Tax Credit (“HRTC”). We now have additional details regarding this credit. As personal tax time is quickly approaching, we have outlined the main points below:

1. **When do I claim this credit?** This credit will be claimed to reduce taxes payable only on your 2009 personal income tax return. If no taxes are owing, this credit will not result in a refund.
2. **Eligible period:** Eligible expenses must be incurred **after January 27, 2009 and before February 1, 2010**. Eligible expenses for goods *acquired* during this period, even if they are installed after January 2010, will still qualify. If an eligible expense involves work performed by a contractor or a third party, and the work is not completed by the end of the eligible period, only the portion that is completed before February 1, 2010 will qualify even if a payment has been made. [Note: Expenses incurred up to January 31, 2010 must be claimed on your 2009 personal tax return.]
3. **Claim limit:** The maximum reduction in personal income taxes is \$1,350 per family. The credit is calculated as 15% of eligible expenditures in excess of \$1,000 but not more than \$10,000. Therefore, \$10,000 of expenditures would result in the maximum credit ($\$10,000 - \$1,000 \times 15\% = \$1,350$).
4. **Eligible dwelling:** This includes a housing unit *located in Canada* that would qualify as your principal residence. If you own a house and a cottage, eligible expenses incurred for both properties will generally be eligible for the HRTC unless the main reason for owning the recreational property is to gain or produce income. Also, if you earn business or rental income from part of an eligible dwelling, you can only claim the amount for expenses incurred for the personal-use areas of your dwelling.
5. **Eligible expenditures:** Generally, eligible expenses must become a permanent part of your home. A list of the most common eligible expenditures is listed at the end of this bulletin in the Appendix.
6. **Ineligible expenditures:** Examples of *ineligible* expenses include purchase of furniture and appliances, tools, house and carpet cleaning, lawn care and snow removal contracts. If you do the work yourself, the eligible expenses include expenses for building materials, fixtures, equipment rentals, building plans and permits. However, eligible expenses would not include the value of your labour or tools.
7. **Can I hire a family member?** Expenses are not eligible if the goods or services are provided by a related person unless that person is registered to collect GST.
8. **Supporting documentation:** Although receipts do not have to be submitted with your tax return, you must ensure this information is available should CRA request it. Eligible expenses must be supported by acceptable documentation, such as agreements, invoices,

and receipts. The documentation should identify the following: vendor name and address, GST registration number if applicable, description of the goods and the date of purchase, date the goods were delivered and/or when the services were performed, description of the work performed, the amount of the invoice, and proof of payment.

9. **Worksheet:** We have posted to our website a useful worksheet which you should use to list your eligible renovations. Please go to www.aslettca.ca and go to Library then Personal Tax Checklists. Only eligible expenses should be listed on the checklist.
10. **Questions?** Please contact us as soon as possible if you have any questions about this credit, especially eligible expenses.

Please contact Gary Aslett at 905-465-3313 or gary@aslettca.ca if you require further information on the above.

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This information is based on existing legislation or legislation which is expected to be passed into law. Such legislation is subject to change without notice. Readers are advised to obtain specific professional advice before acting on the basis of material contained in this article.

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Appendix: Examples of eligible expenses:

- Renovating a kitchen, bathroom, or basement
- Windows and doors
- New flooring - carpet, linoleum, hardwood, floating laminate, etc.
- New furnace, woodstove, boiler, fireplace, water softener, water heater, or oil tank
- Permanent home ventilation systems
- Central air conditioner
- Permanent reverse osmosis systems
- Septic systems
- Wells
- Electrical wiring in the home (e.g., changing from 100 amp to 200 amp service)
- Home security system (monthly fees do not qualify)
- Solar panels and solar panel trackers
- Painting the interior or exterior of a house
- Building an addition, garage, deck, garden/storage shed, or fence
- Re-shingling a roof
- A new driveway or resurfacing a driveway
- Exterior shutters and awnings
- Permanent swimming pools (in ground and above ground)
- Permanent hot tub and installation costs
- Pool liners
- Solar heaters and heat pumps for pools (does not include solar blankets)
- Landscaping: new sod, perennial shrubs and flowers, trees, large rocks, permanent garden lighting, permanent water fountain, permanent ponds, large permanent garden ornaments

- Retaining wall
- Associated costs such as installation, building plans, permits, professional services, equipment rentals, and incidental expenses
- Fixtures - blinds, shades, shutters, lights, ceiling fans, etc. (see Note below)

Note

Window coverings, such as blinds, shutters and shades, that are directly attached to the window frame and whose removal would alter the nature of the dwelling are generally considered to be fixtures (i.e. have become part of the home) and therefore would qualify for the HRTC. In some circumstances, draperies and curtains may qualify for the HRTC, if they would not keep their value or usefulness if installed in another dwelling. If these qualifying criteria are not met, it is likely that draperies and curtains would not qualify for the HRTC.