

Behind the Counter

Home Renovation Tax Credit

This tax credit was introduced by the last Federal Budget. It is a one time only credit available to tax payers that own property. It will only be available for the 2009 taxation year. The time period to participate in this tax credit is between January 27, 2009 and February 1, 2010, which will soon be upon us. If you entered into a contract to have work performed before January 27, 2009, you will not be able to take advantage of this credit. Similarly, if you enter into a contract before February 1, 2010 and the work is performed after that date, you will not be able to use this credit, but you will be able to deduct the cost of the item purchased. If a portion of the contract was completed prior to February 1, 2010, you will only be allowed a credit for the portion that has been completed regardless of the actual payment that you may have made.

This credit is considered a non-refundable tax credit which means that if your income is not high enough to take advantage of this credit, it is lost and will not be refunded to you. This credit is family based, so you can split the credit over your other family members that may have a higher income, or you can transfer it to another family member. Family as defined by the Canada Revenue Agency is you, your spouse or common-law partner and your children or your spouse's or common law partner's children. If you own the property with another family, both families can take advantage of the entire credit – it does not get split.

The tax credit is calculated based on eligible expenses of between \$1,000 and \$10,000 which will provide a tax credit of 15% of the amount spent to a maximum of \$1,350.

The first condition is that the property being renovated is considered an 'eligible dwelling' which means that you own the home/property and that you or a family member lived in that property during the period. So if you own a five acre farm and do some landscaping, the CRA will consider ½ a hectare or 1.24 acres as part of your eligible dwelling. Anything over will not be considered. So if you landscaped the entire 5 acre parcel, you will need to prorate your expense down to the 1.24 acre.

The next condition is that it must be an eligible expenditure. To explain this condition, CRA has indicated what would not be eligible. Such as work performed by the owner of the house, furniture, household appliances, home entertainment systems, tools, carpet or house cleaning, financing costs, expenses for a rental or income producing unit or any continuous contracts such as for landscaping.

What does your accountant need from you? We will need to see your receipts, agreements and invoices. These documents must have the following information on them at a minimum in order to be considered for the credit:

- Name of the vendor or contractor, business address and GST number, if they have one
- Date
- Description of the goods purchased, delivered or services performed and the address of where the work was performed
- Amount
- Proof of payment which should be a credit card slip or cancelled cheque.

You will be required to hang onto these documents for six years in case the Canada Revenue Agency needs to see them.

For more information, please refer to the CRA website <http://www.cra-arc.gc.ca/gncy/bdgt/2009/fqhmrnvtm-eng.html>

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