Home Renovation Tax Credit (HRTC)

The Budget proposes a 15% non-refundable tax credit to individuals for eligible expenditures in excess of $1,000, but not more than $10,000, made in respect of eligible dwellings. This will result in a maximum federal credit of $1,350 ($9,000 x15%).

Work must be performed or goods acquired between January 28, 2009 to January 31, 2010. However, the credit will not be available for expenditures pursuant to an agreement entered into prior to January 28, 2009. The credit may be claimed in the individual's 2009 personal tax return, even with respect to qualifying expenditures incurred in 2010.

The HRTC provides a single limit for each family. A family consists of an individual, a spouse or common-law partner and their children under age 18 throughout 2009. The HRTC may be claimed entirely by one member of the family or by any members of the family. Two or more families which share ownership of an eligible dwelling will each be eligible for the credit.

An eligible dwelling consists of a person's principal residence, or a principal residence of one or more of the other family members. For condominiums and co-operative housing corporations, eligible expenditures will include the individual's share of the cost of renovating common areas, in addition to costs to renovate the unit.

Where a home is used partly to earn business or rental income, qualifying expenditures in respect of the personal-use areas can be claimed in full. However, expenditures made in respect of common areas or that benefit the housing unit as a whole, such as re-shingling a roof, must be allocated between personal and income-earning use in order to determine the portion which qualifies for the credit.

A renovation or alteration of an eligible dwelling qualifies for the HRTC provided that it is of an enduring nature and is integral to the dwelling, including expenditures for the cost of labour and professional services, building materials, fixtures, equipment rentals and permits. However, the following expenditures will not qualify for the HRTC: the cost of routine repairs and maintenance normally performed on an annual or more frequent basis; expenditures for appliances and audio-visual electronics; and financing costs. Items such as furniture, draperies and other indirect expenditures for items that retain a value independent of the renovation, such as construction equipment and tools, will not qualify since they will not be considered integral to the dwelling.

The HRTC will not be reduced by other tax credits or grants under other government programs. For example, an eligible expenditure which qualifies for both the HRTC and the Medical Expense Tax Credit can be claimed under both programs. Expenditures must be supported by receipts. Goods or services provided by a non-arm's length person will qualify only if that person is registered for GST/HST purposes.

(Extract from 2009 Federal Budget Commentary, Chartered Accountants of Canada)