

WELCOME TO BELL SPAGNUOLO LEGAL OFFICES

June 12, 2005

RRSP HOME BUYERS PLAN ("HBP")

The HBP is a program that allows individuals who are first time home buyers to withdraw up to \$20,000.00 from their Registered Savings Plans to buy or build a home for themselves. The Plan may also be utilized if funds are used by or for a related disabled person to acquire a home which is more accessible or better suited to the needs of the disabled person.

The information contained on this page is for individuals who are using the HBP for their own purpose. If information is required with respect to withdrawing funds to assist a related disabled person, please contact your financial advisor.

Individuals do not have to include eligible withdrawals in their income, and the RRSP issuer will not withhold tax on these amounts. The withdrawal may be in a single amount or there may be a series of withdrawals throughout the same year, provided the total of the withdrawals is not more than \$20,000.00. If the qualifying home is purchased with another person, each person can withdraw up to \$20,000.00.

All withdrawals must be repaid to your RRSP's within a period of no more than 15 years. Generally, you will have to repay an equal amount to your RRSP's each year until you have repaid the entire amount withdrawn. If you do not repay the amount due for a year, it will be included in your income for that year.

Funds may only be withdrawn from an RRSP under which the borrower is the annuitant. If another person (spouse) contributed to the RRSP, the borrower is the annuitant of the RRSP, even if the spouse deducted the contributions from taxable income. If an individual contributed to their spouse's RRSP, the spouse is the annuitant of the RRSP and may withdraw the funds, even if the individual has deducted the contributions from his or her income.

A number of conditions have to be met to participate in the HBP. These include the following.

1. There must be a written agreement to buy or build a qualifying home. This means a Contract of Purchase and Sale, not a pre-approved mortgage.
2. The qualifying home must be intended to be used as the principal place of residence by the borrower no later than one year after buying or building it. Once the home is occupied, there is no minimum period of time that it must remain occupied as a principal residence. Also, there may be situations where the qualifying home is not occupied by the end of the 12-month period after being bought or built. The borrower may still be considered a participant in the HBP because he or she intended to occupy the home as their principal place of residence no later than one year after buying or building it.
3. The individual must be a first-time home buyer. For the HBP, a home buyer is not considered a first time home buyer if, at any time during the period beginning January 1 of the fourth year before the year of withdrawal and ending 31 days before your withdrawal, the home buyer or their spouse owned a home that they occupied as a principal place of residence. The definition of a first time home buyer for the HBP is different than the definition of a first time home buyer for purposes of the Property Transfer Tax. To be eligible as a First Time Home Owner for the Property Transfer Tax

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you must have never owned a home at any time, not just in the last 5 years.

4. The HBP balance on January 1 of the year of withdrawal has to be zero. In other words, if a borrower has used the plan before, the withdrawal that was made in the past must be repaid entirely.
5. Neither the borrower nor his or her spouse can own the qualifying home more than 30 days before the withdrawal. This means that a withdrawal may be made for a qualifying home purchased in the last 30 days, but not more than 30 days. If the RRSP is locked in and funds are not available for more than 30 days after completion, a withdrawal under the HBP is not allowed.
6. The borrower must be a resident of Canada when he or she receives funds from their RRSP's under the HBP and up to the time a qualifying home is bought or built.
7. All withdrawals from your RRSP's must be in the same year and certain forms are required to be completed for Revenue Canada.

To view the government information brochure, please visit the federal government website at:

<http://www.cra-arc.gc.ca/tax/individuals/topics/rrsp/hbp/menu-e.html>

Please remember that this program may be changed at any time by the federal government. The information above is accurate as of the date of this article. Please check the government website or your financial advisor to ensure your eligibility under this plan. If you do not have a financial planner, we would be happy to refer you to our partners, MTM Wealth Planning, part of Bell Spagnuolo Professional Services (www.bellspagpro.com).

The information you obtain at this site is not, nor is it intended to be, legal advice. You should consult a lawyer for individual advice regarding your own situation.

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