

**Tax Tip**  
**Week of February 2, 2009**

**Home Renovation Tax Credit**

In the 2009 Federal Budget, the government introduced a home renovation tax credit. The new credit will work as follows:

**Eligibility**

Eligibility for the credit is family based and individual members will be able to share the credit. For the purpose of the credit, a family is considered to be an individual and spouse or common-law partner

**Eligibility Period**

The credit will apply to eligible home renovation for work performed or goods purchased between January 27, 2009 and February 1, 2010. Any agreements must be signed after January 27, 2009

**Amount of Credit**

The credit is 15% and can be claimed for expenditures exceeding \$1,000, but less than \$10,000. The maximum credit is \$1,350.

**Eligible Expenditures**

The renovations can be on any property an individual occupies for personal use. Thus, principal residences, cottages and ski chalets would qualify. Typical projects would include:

- Renovating a kitchen, bathroom, or basement
- New carpet or hardwood floors
- Building an addition, deck, fence or retaining wall
- A new furnace or water heater
- Painting the interior or exterior of a house
- Resurfacing a driveway
- Laying new sod
- Building permits
- Professional services

## **Non Qualifying Expenditures**

Routine repairs and maintenance plus the cost of furniture, appliances, or audio-visual electronics will not qualify.

## **Unintended Benefits**

Many individuals involved in the home renovation business will be very busy and may use this program as an opportunity to raise their prices

CRA has concerns about home renovations being a cash business. If individuals supply a service that qualifies for the home renovation tax credit, they must be certain to pay the GST and include the amounts in income tax, as CRA now has an excellent audit trail, i.e., the information provided by individuals claiming the credit.