

# First Time Homebuyer Incentive Programs

## WHAT GRANTS AND INCENTIVES ARE AVAILABLE FOR FIRST-TIME HOME BUYERS?

Buying your first home can seem difficult, especially for young people and families. Fortunately, a number of grants and first-time home-buyer incentives are available to give a helping hand.

In this publication:

- CMHC's First-Time Home Buyer Incentive
- The Home Buyers' Plan (HBP)
- The Tax-Free First Home Savings Account (FHSA)
- Tax credits
- Grants and incentives offered by provinces and cities



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# Grants and incentives for first-time home buyers

## WHAT GRANTS AND INCENTIVES ARE AVAILABLE FOR FIRST-TIME HOME BUYERS?

### 1. CMHC's First-Time Home Buyer Incentive

- The First-Time Home Buyer Incentive, offered by the Canada Mortgage and Housing Corporation (CMHC), helps first-time buyers increase their down payment. It has two objectives:
  - Make home ownership more accessible for first-time buyers
  - Encourage developers to build homes to ensure that housing stock can meet the increased demand that the incentive will create
- How much is the First-Time Home Buyer Incentive?
  - The incentive amounts to 5% of the property's value for an existing home and 5% or 10% for a new home. The incentive is an interest-free loan. It must be reimbursed when the property is sold or within 25 years of purchase. The amount repaid will be based on the value of the property at that time.
- A clear example
  - A couple wants to buy a new condo for \$400,000. They saved \$20,000 for a 5% down payment and receive a \$40,000 incentive (10% of the condo's value). Their mortgage therefore equals \$340,000, to be paid in monthly instalments of \$1,745. Without this incentive, they would have paid \$1,973, or an extra \$228 per month. When they decide to repay the incentive, the couple will have to pay 10% of the condo's market value.
- Good to know:
  - Are you eligible for the First-Time Home Buyer Incentive? To be eligible for this incentive, your qualifying annual income must be \$120,000 or less.

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### 2. The Home Buyers' Plan (HBP)

You can use the Home Buyers' Plan (HBP), if you are eligible, to make a tax-free withdrawal from your registered retirement savings account (RRSP) to buy or build a home. Ideal for first-time buyers, the HBP allows each borrower to withdraw up to \$35,000 (\$70,000 for a couple). You then have 15 years to repay what you've borrowed, interest-free, starting two years after you make your withdrawal.

Who is eligible for the HBP?

Though the HBP is aimed at first-time home buyers, the program is also open to people who have not occupied a home that they or their spouse owned during the past four years. As of January 2020, eligible people who are divorced or separated can also take advantage of the program, even if they don't meet the first-time home buyer requirement.

This means that they can use the HBP a second time to buy a new property or to buy out their ex's share of their home, provided that their first HBP withdrawal has been repaid in full.

Note that you are also eligible for the HBP if you buy or build a qualifying home for someone related to you with a disability, or if you help someone related to you with a disability to buy or build a qualifying home. However, you must intend that the person with a disability who is related to you occupy the qualifying home as their principal place of residence.

Get ready to buy your first home:

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### 3. The Tax-Free Home Savings Account (FHSA)

The FHSA is a new account that allows you to save for your first home. It also allows you to make tax-deductible contributions of up to \$8,000 per year, up to a lifetime maximum of \$40,000. Your contribution room starts to accumulate as soon as you open your first account. You can carry forward your unused FHSA contribution room, up to a maximum of \$8,000, to use in the following year.

Who is eligible for the FHSA?

To open a tax-free First Home Savings Account (FHSA), you must meet the following eligibility criteria:

- You must be a resident of Canada.
- You must be between 18 and 71 years old\*
- You and your spouse must not own a home in Canada. This means you must be a first-time buyer.

Good to know:

It is now possible to transfer funds from an RRSP to a FHSA tax-free. However, the contribution limit is \$8,000 annually, with a \$40,000 lifetime limit.

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### 4. Tax credits

Tax credits can also reduce some of the costs of buying your first home at both the provincial and federal levels. There are two credits for buyers who meet certain criteria.

Home buyers' amount

Good to know:

The maximum you can claim is \$750. If several people purchase a first home together, they can split the credit between them.

You can use this credit to reduce your taxes in the year that you buy a home, provided that:

You (or your spouse or common-law partner) acquired a qualifying home and you intend to occupy it, or have a related person with a disability occupy it, as a principal place of residence.

You did not live in another home owned by you (or your spouse or common-law partner) during the year of acquisition or in any of the four preceding years (first-time home buyer).

The following are considered "qualifying homes":

- Single-family homes, semi-detached homes and townhouses
- Prefabricated homes
- Mobile homes
- Condominium units
- Apartments in multi-unit residential buildings
- An ownership share in a housing co-operative that gives you an equity interest.

New housing rebates

In Ontario, individuals who co-own a new (or substantially renovated) home may be entitled to a partial or full tax rebate (GST and provincial sales tax), provided that the home is used as the primary residence of one of the purchasers or one of their relatives.

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### 5. Grants and incentives offered by provinces and cities

Some provinces and territories have specific programs for home buyers. For example, you might be eligible for a grant or a tax credit for the land transfer tax (known as the "welcome tax" in Quebec). Here are some of the programs available:

Alberta : PEAK Housing Initiatives Program

British Columbia : First-time home buyers' program

Prince Edward Island : Real Property Transfer Tax First-Time Home Buyers Exemption

New Brunswick : Home Ownership Program

Nova Scotia : First-time Home Buyers' Rebate Program

Nunavut : Nunavut Downpayment Assistance Program

Ontario : Land Transfer Tax Refunds for First-Time Homebuyers

Quebec : Home Buyers' Tax Credit

Saskatchewan : First-Time Homebuyers' Tax Credit

Northwest Territories : Home Purchase Program

Yukon : Home Owners Grant