

# **RRSPs for the Downpayment**

*A great way to buy your first home*

Compliments of . . .

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## RRSP Withdrawal for Down Payment under The Home Buyers Plan

The Federal Home Buyers Plan (HBP) allows you to withdraw up to \$20,000 from your RRSP (registered retirement savings plan) to buy or build a qualifying home. Your RRSP issuer will not withhold tax on the withdrawal nor will you have to claim the amount as income. The amount you withdraw must be repaid to your RRSP within a period no greater than the next 15 years. If a repayment is not made in a given year, the minimum repayment will be included as taxable income in that year. Repayments do not trigger addition tax savings.

How do I make the Withdrawal?

You need to complete Form T1036 Applying to Withdrawal An Amount Under The Home Buyers Plan. These forms are available from Canada Customs & Revenue Agency or from your RRSP issuer. After completing Area 1 of Form T1036, give it to your RRSP issuer for processing. You can only withdraw funds from an RRSP under which you are the annuitant. If your spouse contributed to your RRSP, you are still the annuitant of the RRSP, even if your spouse deducted the contributions from taxable income. Some RRSPs, such as locked-in or group RRSPs, do not allow you to withdraw funds from them. Your RRSP issuer can give you more information about these types of RRSPs.

What are the conditions for participating in the HBP?

Regardless of the situation, you are responsible for making sure all HBP conditions are met. To participate in the HBP all the following conditions must be met.

- You have to enter into a written agreement to buy or build a qualifying home;
- You have to intend to occupy the qualifying home as your principal residence;
- You have to be considered a first-time home buyer;
- Your HBP balance on January 1 of the year of withdrawal has to be zero;
- Neither you nor your spouse can own the qualifying home more than 30 days before the withdrawal is made;
- You have to be a resident of Canada;
- You have to complete Form T1036;
- You have to receive all withdrawals in the same year;
- You cannot withdraw more than \$20,000;
- You have to buy or build the qualifying home before October 1 of the year after withdrawal.
- Qualifying Home - A qualifying home is a housing unit located in Canada. Existing homes or homes under construction can be qualifying homes. Single-family homes, semi-detached homes, townhouses, condos, mobile homes, and apartments all qualify. Some co-operative housing corporations also qualify.
- First Time Home Buyer - You are considered a first time home buyer if you have not owned a home while you occupied it as your principal place of residence for five years. At any time in the fifth calendar year since you last owned a home you can qualify.

Your RRSP deduction may be affected by HBP participation.

If you participate in the HBP, certain rules limit your RRSP deduction for contributions you made to your RRSP during the 89-day period just before your withdrawal under the HBP. You cannot deduct the amount, if any, by which the total of your contribution to an

RRSP during the 89-day period just before your withdrawal, is more than the fair market value of the RRSP after your withdrawal. The same rules apply if you contributed to your spouse's RRSP.

Can this program be used more than once?

Starting in 1999, if you previously participated in the HBP, you may be able to do so again if:

- Your HBP balance is zero on January 1 of the year during which you plan on making another HBP withdrawal, and you meet all the other HBP conditions that apply to your situation.

#### Disabled Persons

Starting in 1999, you may be able to withdraw funds from your RRSP under HBP for someone else, if that person is disabled, and the qualifying home is more accessible to, or better suited to, the needs of that person.

#### Some Unique Situations

- Sell your home - You do not have to immediately repay the remaining balance if you sell your home before your scheduled payments are complete. You are not required to continue to own the home until the amount borrowed is repaid.
- Non-resident - If a taxpayer ceases to be a resident of Canada, the balance of the withdrawals made under the plan and not yet repaid must be repaid within 60 days of ceasing residency, or must be included in the individual's income for that year.
- Death - If an individual dies with an outstanding HBP repayment balance, the outstanding amount must be included in the deceased income for the year.
- RRSP Matures - If you have an outstanding HBP repayment balance at the end of the year in which you turn 69 (the deadline for collapsing your RRSP) you must repay the balance before year end or report it as income on your tax return.

Where can I get more information?

Contact a mortgage broker (e.g., [ClickMortgage.ca](http://ClickMortgage.ca)) or financial lending institution (Bank) or call CMHC at (604) 731-5733. You can also visit their Web site at [www.cmhc-schl.gc.ca](http://www.cmhc-schl.gc.ca).