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PEDRO ARRAIS

How to get your reno money back

Dos and don'ts of home renovation tax credit

Do I need to be pre-approved before work can start? No. What is the eligibility period? The credit is based on work done and materials acquired after Jan. 27, 2009, and up to Feb. 1, 2010. When will I get the tax credit? The tax credit will be applied when homeowners file their 2009 tax return next year.

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The federal tax credit applies to any renovation or alteration that is of an enduring nature and integral to the dwelling. A roof replacement, like the one shown above, should qualify on both counts.

I don't pay very much tax. If the tax credit is more than my personal income tax paid for 2009, will I get a tax refund?

No, it is a non-refundable tax credit.

Can the credit be carried forward?

No, it can only be applied for the 2009 tax year. Who is eligible? The plan is family-based. In the eyes of the CRA, that means an individual or an individual and his/her spouse or common-law partner, including children under 18 at the end of 2009.

What if two or more members of a family co-own a property?

Each family member will be eligible to file for their own separate credit.

What is the definition of a family for the purposes of this credit?

A family is generally considered to consist of an individual and spouse or common-law partner if applicable. Is it just houses that are eligible? No, the credit also includes work on condominiums and cottages owned for personal use.

Does it include rental units, such as basements or apartments?

No, just property owned for per-

The home renovation tax credit plan is part of the federal government's aim to inject \$3 billion to stimulate the economy. It has met with a lot of enthusiasm — but also with a lot of questions.

The plan, if passed by Parliament, seems simple enough at first glance: Spend up to \$10,000 on renovations and construction on the family home, and you get a tax credit of 15 per cent back, up to a maximum of \$1,350. It's a credit, so it reduces the amount of federal tax you have to pay; it doesn't mean you get a cheque for \$1,350.

The plan will be administered by the Canada Revenue Agency.

The plan encourages homeowners to open their wallets with the promise of a reduction on personal income taxes paid next year.

"It's money in the pocket," says Ian B. Lawson, a certified general accountant who operates a practice that bears his name. "It's a win-win situation for homeowners and legitimate, taxpaying businesses."

He notes that the incentive is also a boon to the Canada Revenue Agency, as homeowners will be keen to use legitimate contractors who can supply invoices for

work performed. Operators of unlicensed, non-taxpaying companies or people who ask for payment under the table will likely see their business suffer.

“It will definitely affect the underground economy,” Lawson says. “It’s not good news for those in the building trades who don’t declare income.”

For more information, visit www.cra.gc.ca or call 1-800-9598281. How do I apply? There are no application forms. There will be a line in the 2009 personal tax return. sonal use.

Do I have to spend \$10,000 to qualify?

No, homeowners can spend a lesser amount and receive a proportionate amount in tax credit.

What if the work is \$10,000?

Homeowners are free to spend more than \$10,000 on their renovations, but they will not get a credit on any work over the limit. How is it calculated? The 15-per-cent credit is based on expenditures of more than \$1,000 of work, but not more than \$10,000. The maximum credit of \$1,350 is based on 15 per cent of \$9,000. Can I do the work myself? Yes. In such cases, the tax credit will apply to the materials, fixtures, rentals and permits purchased. Keep those receipts as well as delivery receipts to show the goods came to your principal residence.

Can I hire somebody in my family to do the work?

It depends. Usually the work should be done by an individual dealing at arm’s-length. But if the person doing the work is registered for the GST/HST under the Excise Tax Act, the expenditure will be eligible. What are eligible expenses? The cost of labour and professional services, building materials, fixtures, rentals and permits.

Does the work have to be done by a business, not an individual?

No, an individual can perform the work. But that individual has to be able to produce receipts and invoices for homeowners to apply for the credit. Is it just on renovations? No, the credit can be claimed for new construction, such as alterations and additions to a property. Are roofs covered? Yes. According to the CRA, the credit applies to any renovation or alterations of an enduring nature and integral to the dwelling.

I want to build a wheelchair ramp. Can I also claim the medical expense tax credit?

Yes, a homeowner can claim both credits.

Can we piggyback on other grants currently being offered by other federal programs?

Yes. Homeowners are eligible for both.

What documents do I need to submit?

Homeowners need to retain all agreements, invoices and receipts for the work performed available in case the CRA requests them. The documentation must identify the goods purchased and services provided, and must identify the contractor or vendor. Invoices must be dated and must provide proof of payment.

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