

# Home Buyers' Plan (HBP)

RC4135

# As of November 1, 1999, Revenue Canada became the Canada Customs and Revenue Agency.

## Before You Start

### Is this guide for you?

Use this guide if you want information about the rules that apply to the Home Buyers' Plan (HBP).

### What is the HBP?

The HBP is a program that allows you to withdraw up to \$20,000 from your registered retirement savings plans (RRSPs) to buy or build a qualifying home. Withdrawals that meet all applicable HBP conditions do not have to be included in your income, and your RRSP issuer will not withhold tax on these amounts. If you buy the qualifying home together with your spouse or other individuals, each of you can withdraw up to \$20,000.

Under the HBP, you have to repay all withdrawals to your RRSPs within a period of no more than 15 years. Generally, you will have to repay an amount to your RRSPs each year

until you have repaid all the amount you withdrew. If you do not repay the amount due for a year, it will be included in your income for that year.

### Do you need more information?

In this guide, we use plain language to explain the most common income tax situations. If you need more information after reading this guide, contact the General Enquiries section of your tax services office. You can find the address and telephone numbers in the government section of your telephone book.

### Internet access

You can find most of our publications at [www.ccr-aadrc.gc.ca](http://www.ccr-aadrc.gc.ca) on the Internet.

## What's New?

We list the major changes below. These changes are boxed in red throughout the guide.

**Death of an HBP participant** – Starting in 2000, the amount to be included in a deceased participant's income for the year of death is equal to the participant's HBP balance before death less any amount designated as an HBP repayment for the year of death. For more information, see "If the participant dies" on page 10.

**Cancellation payments** – Starting in 2000, HBP cancellation payments can be made to any of the participant's RRSPs with any issuer, or to a new RRSP. In addition, participants will have to complete a new cancellation form to designate their RRSP contribution as a cancellation payment. For more information, see "Cancelling your participation" on page 12.

Visually impaired persons can get information on services available to them, and can order publications in braille or large print, or on audio cassette or computer diskette, by calling 1-800-267-1267 weekdays from 8:15 a.m. to 5:00 p.m. (Eastern Time).

La version française de cette publication est intitulée *Régime d'accèsion à la propriété (RAP)*.

# Table of Contents

	Page		Page
<b>Glossary</b> .....	4	<b>Chapter 2 – Repaying your withdrawals</b> .....	9
<b>Chapter 1 – Participating in the HBP</b> .....	4	How do you make your repayments? .....	9
What is the HBP? .....	4	What happens if you choose to begin your repayments earlier? .....	9
Can a withdrawal be made from any RRSP? .....	5	What happens if you repay more than the amount you have to repay? .....	10
What are the conditions for participating in the HBP? ..	5	What happens if you repay less than the amount you have to repay? .....	10
You have to enter into a written agreement to buy or build a qualifying home .....	6	Situations where the repayments have to be made in less than 15 years .....	10
You have to intend to occupy the qualifying home as your principal place of residence .....	6	If the participant dies .....	10
You have to be considered a first-time home buyer ...	6	If you become a non-resident .....	11
Your HBP balance on January 1 of the year of withdrawal has to be zero .....	6	If you are 70 years of age or over .....	11
Neither you nor your spouse can own the qualifying home more than 30 days before the withdrawal .....	7	<b>Chapter 3 – Other rules you should know</b> .....	12
You have to be a resident of Canada .....	7	What happens if you do not meet all the HBP conditions? .....	12
You have to complete Form T1036 .....	7	Cancelling your participation .....	12
You have to receive all withdrawals in the same year .....	7	If you cannot participate in the year, can you participate in a later year? .....	13
You cannot withdraw more than \$20,000 .....	7	Can you use funds withdrawn under the HBP for other purposes? .....	13
You have to buy or build the qualifying home before October 1 of the year after the year of withdrawal .....	7	Can you participate in the Lifelong Learning Plan (LLP) at the same time? .....	13
How do you make an HBP withdrawal? .....	8		

## Glossary

This glossary gives you a general description of the technical terms that we use in this guide.

**Disabled person** – For purposes of the HBP, a disabled person includes you or a person related to you by blood, marriage, or adoption, if you or the related person are entitled to the disability amount for the year of the HBP withdrawal. A related disabled person does not have to reside with you in the same home.

We consider a person to be entitled to the disability amount if one of the following situations applies:

- the person was entitled to the disability amount on line 316 of the person's return for the year before the HBP withdrawal, and still meets the eligibility requirements for the disability amount when the HBP withdrawal is made; or
- if the person was not entitled to the disability amount for any year before the HBP withdrawal, a Form T2201, *Disability Tax Credit Certificate*, that a medical doctor or appropriate medical practitioner (i.e., an optometrist, audiologist, psychologist, or occupational therapist) has certified, is filed for the person for the year of the HBP withdrawal. If Form T2201 is not approved, your withdrawals will not be considered eligible withdrawals under the HBP and they will have to be included in income for the year.

### Note

If all other eligibility requirements are met, we consider a person to be entitled to the disability amount even if costs for an attendant or for care in a nursing home were claimed as a medical expense by or on behalf of that person.

**Eligible withdrawal** – This is an amount you withdraw from your RRSP that meets all HBP conditions that apply to your situation.

**HBP balance** – When you withdraw funds from your RRSPs under the HBP, you create an HBP balance. Your HBP balance at any time is the total of all eligible withdrawals you made from your RRSPs **minus** the total of all amounts you designated as an HBP repayment and the amounts included in your income (because they were not repaid to your RRSPs), in previous years.

**Participant** – You are considered an HBP participant if:

- you make an eligible withdrawal from your RRSP to buy or build a qualifying home for yourself;
- starting in 1999, you make an eligible withdrawal from your RRSP under the HBP to buy or build a qualifying home for a related disabled person or to help such a person buy or build a qualifying home; or
- you are the spouse of a deceased HBP participant and you elected to continue making the repayments for your deceased spouse.

**Participation period** – Your HBP participation period starts on January 1 of the year you receive an eligible withdrawal from your RRSP and ends in the year your HBP balance is zero.

**Qualifying home** – A qualifying home is a housing unit located in Canada. This includes existing homes and those being constructed. Single-family homes, semi-detached homes, townhouses, mobile homes, condominium units, and apartments in duplexes, triplexes, fourplexes, or apartment buildings, all qualify. A share in a co-operative housing corporation that entitles you to possess, and gives you an equity interest in, a housing unit located in Canada also qualifies. However, a share that only provides you with a right to tenancy in the housing unit does not qualify.

**RRSP deduction limit** – This refers to the maximum amount you can deduct for contributions you made to your RRSP or to your spouse's RRSP.

**Spouse** – This term applies to a person to whom, at the time, you were legally married, or with whom, at the time, you were living common law. "Living common law" applies when you live and have a relationship with a person of the opposite sex to whom **any** of the following applies. He or she:

- is the natural or adoptive parent (legal or in fact) of your child;
- has been living common law with you for at least 12 continuous months; or
- lived with you previously as your spouse for at least 12 continuous months, and you are living together again.

The above includes any period that you were separated for less than 90 days because of a breakdown in the relationship.

## Chapter 1 – Participating in the HBP

### What is the HBP?

The HBP is a program that allows you to withdraw up to \$20,000 from your registered retirement savings plans (RRSPs) to buy or build a qualifying home for yourself.

Starting in 1999, you can withdraw funds from your RRSPs under the HBP for someone else. This is the case if:

- you acquire a qualifying home for a related disabled person, that is more accessible to, or better suited to the needs of, that person; or
- you provide the withdrawn funds to a related disabled person to acquire a qualifying home, that is more accessible to, or better suited to the needs of, that person.

You do not have to include eligible withdrawals in your income, and your RRSP issuer will not withhold tax on these amounts. You can withdraw a single amount or make a series of withdrawals throughout the same year, provided the total of your withdrawals is not more than \$20,000. If you buy the qualifying home together with your spouse or other individuals, each of you can withdraw up to \$20,000.

You have to repay all withdrawals to your RRSPs within a period of no more than 15 years. Generally, you will have to repay an amount to your RRSPs each year until you have repaid all the amount you withdrew. If you do not repay

the amount due for a year, it will be included in your income for that year.

### Can a withdrawal be made from any RRSP?

You can only withdraw funds from an RRSP under which you (the participant) are the annuitant. If your spouse contributed to your RRSP, you are the annuitant of the RRSP, even if your spouse deducted the contributions from taxable income. If you contributed to your spouse's RRSP, your spouse is the annuitant of the RRSP, even if you have deducted the contributions from your 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 the types of RRSPs that you have and whether or not withdrawals under the HBP can be made from them.

#### Note

If you withdraw an amount from an RRSP to which you made a contribution during the 89-day period just before your withdrawal, you might not be able to deduct the contribution you made. For more information, see "How do you make an HBP withdrawal?" on page 8.

## What are the conditions for participating in the HBP?

A number of conditions have to be met to participate in the HBP. While some conditions have to be met **before** you can withdraw funds from your RRSPs, others apply **when** or **after** you receive the funds.

If you participate in the HBP, you have to meet all the HBP conditions yourself. However, depending on your situation, some conditions might have to be met by another person. For example, if you withdraw funds from your RRSPs to help a related disabled person to buy or build a qualifying home, some conditions have to be met by that person.

Regardless of the situation, you are responsible for making sure that all HBP conditions are met. If at any time during your participation period a condition is not met, your withdrawal will not be considered an eligible withdrawal and it will have to be included in income for the year you received it.

The following chart lists all the HBP conditions and who has to meet them in different situations. We explain each condition in greater detail in the pages that follow the chart.

Conditions for participating in the HBP								
Person responsible for meeting the HBP conditions	Situation 1		Situation 2		Situation 3		Situation 4	
	You	You	You	Related disabled person	You	Related disabled person	You	Related disabled person
Conditions you have to meet <b>before</b> applying to withdraw funds under the HBP								
You have to enter into a written agreement to buy or build a qualifying home.	✓	✓	✓	N/A	N/A	✓	N/A	✓
You have to intend to occupy the qualifying home as your principal place of residence.	✓	✓	N/A	✓	N/A	✓	N/A	✓
You have to be considered a first-time home buyer.	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Your HBP balance on January 1 of the year of withdrawal has to be zero.	✓	✓	✓	N/A	✓	N/A	✓	N/A
Conditions you have to meet <b>when</b> a withdrawal is made								
Neither you nor your spouse can own the qualifying home more than 30 days before a withdrawal is made.	✓	✓	✓	N/A	N/A	✓	N/A	✓
You have to be a resident of Canada.	✓	✓	✓	N/A	✓	N/A	✓	N/A
You have to complete Form T1036.	✓	✓	✓	N/A	✓	N/A	✓	N/A
You have to receive all withdrawals in the same year.	✓	✓	✓	N/A	✓	N/A	✓	N/A
You cannot withdraw more than \$20,000.	✓	✓	✓	N/A	✓	N/A	✓	N/A
Condition you have to meet <b>after</b> all your withdrawals have been made								
You have to buy or build the qualifying home before October 1 of the year after the year of withdrawal.	✓	✓	✓	N/A	N/A	✓	N/A	✓

## You have to enter into a written agreement to buy or build a qualifying home

To withdraw funds from your RRSPs under the HBP, you must first have entered into a written agreement to buy or build a qualifying home. Obtaining a preapproved mortgage does not satisfy this condition.

### Note

If you are withdrawing funds from your RRSPs to help a related disabled person to buy or build a qualifying home, that person must meet this condition.

## You have to intend to occupy the qualifying home as your principal place of residence

When you withdraw funds from your RRSPs under the HBP, you have to intend to occupy the qualifying home as your principal place of residence no later than one year after buying or building it. Once you occupy the home, there is no minimum period of time that you have to live there.

In some cases, you may not occupy the qualifying home by the end of the 12-month period after you bought or built it. If this happens to you, we still consider you a participant in the HBP because you intended to occupy the home as your principal place of residence no later than one year after buying or building it.

### Note

If you are withdrawing funds from your RRSPs to buy or build a qualifying home for a related disabled person or to help a related disabled person to buy or build a qualifying home, that person must meet this condition.

## You have to be considered a first-time home buyer

Generally, before you can withdraw funds from your RRSPs to buy or build a qualifying home, you have to meet the first-time home buyer's condition.

You are 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, you or your spouse owned a home that you occupied as your principal place of residence.

### Example 1

You want to participate in the HBP in 2001. To be considered a first-time home buyer, you or your spouse cannot have owned and occupied as your principal place of residence a home at any time during the period beginning January 1, 1997 and ending 31 days before your withdrawal in 2001.

In this section, the word "home" has the same meaning as the term "qualifying home" which is defined on page 4.

### Note

You must meet the first-time home buyer's condition at the time you withdraw an amount from your RRSPs under the HBP. If you are not considered a first-time home buyer when you withdraw an amount, that amount will have to be included in your income.

To determine if you are considered a first-time home buyer, complete the following questionnaire:

### Are you considered a first-time home buyer?

**Question 1** – Did you, at any time during the period beginning January 1 of the fourth year before the year of withdrawal and ending 31 days before the withdrawal, own a home that you occupied as your principal place of residence?

Yes  You **are not** considered a first-time home buyer.

No  Go to question 2.

**Question 2** – Do you have a spouse?

Yes  Go to question 3.

No  You **are** considered a first-time home buyer.

**Question 3** – Did your spouse have an owner-occupied home, at any time during the period beginning January 1 of the fourth year before the year of withdrawal and ending 31 days before the withdrawal, that you occupied with your spouse while you were living together as spouses?

Yes  You **are not** considered a first-time home buyer.

No  You **are** considered a first-time home buyer.

If you cannot participate in the HBP in a year because you do not meet this condition, see "If you cannot participate in the year, can you participate in a later year?" on page 13.

If at the time of withdrawal you have a spouse, it is possible that only one of you will be considered a first-time home buyer.

**Exception to the first-time home buyer's condition** – Starting in 1999, you do not have to meet the first-time home buyer condition to participate in the HBP if any of the following situations applies to you:

- you are a disabled person and you withdraw funds from your RRSPs under the HBP to acquire a home that is more accessible, or better suited to your needs;
- you withdraw funds from your RRSPs under the HBP to acquire a home for a disabled person related to you by blood, marriage, or adoption, that is more accessible to, or better suited to the needs of, that person; or
- you withdraw funds from your RRSPs under the HBP and give those funds to a disabled person related to you by blood, marriage, or adoption, to acquire a home that is more accessible to, or better suited to the needs of, that person.

## Your HBP balance on January 1 of the year of withdrawal has to be zero

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.

Your HBP balance is zero when the total of your designated HBP repayments and the amounts included in your income (because they were not repaid to your RRSPs) in previous years **equals** the total eligible withdrawals you received.

### **Neither you nor your spouse can own the qualifying home more than 30 days before the withdrawal**

You cannot withdraw an amount from your RRSP under the HBP if you or your spouse owned the home described on Form T1036, *Home Buyers' Plan (HBP) – Request to Withdraw Funds from an RRSP*, more than 30 days before the date of your withdrawal.

#### **Example 2**

Kate buys a qualifying home with a closing date (acquisition date) of November 1, 2000. She must make her final withdrawal under the HBP no later than 30 days after the closing date. Therefore, Kate has until December 1, 2000 to make her last withdrawal under the HBP. If she makes a withdrawal after December 1, 2000, it will not be considered an eligible withdrawal and must be included in her income for the year 2000.

#### **Note**

If you are withdrawing funds from your RRSPs to help a related disabled person to buy or build a qualifying home, the disabled person and his or her spouse (if applicable) must meet this condition.

### **You have to be a resident of Canada**

You have to be a resident of Canada when you receive funds from your RRSPs under the HBP and up to the time a qualifying home is bought or built. If you are not sure whether you are a resident or non-resident of Canada, or you need more information about residency status, contact your tax services office.

If you become a non-resident after you receive your funds but before a qualifying home is bought or built, you may cancel your participation in the HBP. For more information, see "Cancelling your participation" on page 12.

If you become a non-resident after a qualifying home is bought or built, your withdrawal will be considered to be eligible. However, special rules will apply to the repayment of your HBP balance. For more information, see "If you become a non-resident" on page 11.

### **You have to complete Form T1036**

To make an eligible withdrawal under the HBP, you have to use Form T1036, *Home Buyers' Plan (HBP) – Request to Withdraw Funds from an RRSP*.

You have to complete Form T1036 for each withdrawal you make. You can get a copy of Form T1036 from your tax services office.

### **You have to receive all withdrawals in the same year**

To participate in the HBP, you have to receive all the withdrawals from your RRSPs in the same year. However,

if you receive an amount from your RRSP in one year and another in January of the following year, we consider the amount received in January of the following year to have been received in the year the first withdrawal was made.

#### **Note**

If you receive a withdrawal of funds in one year and another after January of the following year, the amount received after January will **not** be an eligible withdrawal under the HBP and you will have to include it in your income.

#### **Example 3**

On October 15, 1999, Chloe withdrew \$7,500 from her RRSP under the HBP. Before the withdrawal, Chloe had entered into a written agreement to buy a qualifying home. In March 2000, she withdrew an additional \$1,500 to pay expenses she had not anticipated. Because Chloe's second withdrawal was received after January 2000, it is not considered an eligible withdrawal and must be included in her income for the year 2000.

### **You cannot withdraw more than \$20,000**

You can withdraw up to \$20,000 from your RRSPs under the HBP. You can make more than one withdrawal as long as the total of your withdrawals is not more than \$20,000. If you buy the qualifying home together with your spouse or other individuals, each individual can withdraw up to \$20,000.

#### **Note**

If the total of your RRSP withdrawals under the HBP is more than \$20,000, you will have to include the excess amount in your income for the year you receive it. In addition, your RRSP issuer will have to withhold tax on the excess amount when paid.

#### **Example 4**

During the months of April to August 2002, John makes a series of withdrawals from his RRSP under the HBP totaling \$17,500. In September 2002, he requests and receives an additional \$4,500 from his RRSP.

Because John can only withdraw up to \$20,000 under the HBP, he has to include the excess amount of \$2,000 ( $\$17,500 + \$4,500 - \$20,000$ ) in his income for 2002.

### **You have to buy or build the qualifying home before October 1 of the year after the year of withdrawal**

Generally, if you participate in the HBP in a particular year, you have to buy or build the qualifying home before October 1 of the year following the year of withdrawal.

We consider you to have bought or built a qualifying home if you bought or built it alone or with one or more individuals. If you are building a qualifying home, we consider you to have built the home on the date it becomes habitable.

### Note

If you are withdrawing funds from your RRSPs to help a related disabled person to buy or build a qualifying home, the disabled person must meet this condition.

If you do not buy or build the qualifying home before October 1 of the year after the year of withdrawal, you can:

- cancel your participation in the HBP (for more information, see “Cancelling your participation” on page 12); or
- buy or build a different home, called a replacement property, before October 1 of the year following the year of withdrawal.

A replacement property has to meet the same conditions as a qualifying home. You do not have to complete another Form T1036 to advise us that you are buying or building a replacement property. Just send a letter to: Pension and RRSP Processing Group, Ottawa Technology Centre, 875 Heron Road, Room 362, Ottawa ON K1A 1A2.

Give your name, address, and social insurance number, as well as the address (and phone number, if possible) of the replacement property. Also, you have to certify in the letter that you intend to occupy the replacement property as your principal place of residence no later than one year after you buy or build it.

### Note

If you have already withdrawn from your RRSPs the \$20,000 maximum allowed under the HBP, you cannot make any more withdrawals to buy or build the replacement property.

**Extensions for buying or building a qualifying home or replacement property** – If you do not buy or build the qualifying home you indicated on Form T1036 (or a replacement property) before October 1 of the year following the year of withdrawal, we still consider you to have met the deadline if **either** of the following situations applies to you:

- You had a written agreement, in effect on October 1 of the year following the year of withdrawal, to buy a qualifying home or replacement property, and you buy the property before October 1 of the second year following the year of withdrawal. In addition, you have to be a Canadian resident up to the time of purchase (see Example 5 below).
- You paid before October 1 of the year following the year of withdrawal an amount at least equal to the total of your withdrawals under the HBP to the contractors or suppliers (with whom you deal at arm’s length) for materials for the home being built, or towards its construction (see Example 6 below).

### Example 5

On February 10, 2000, Steven, a Canadian resident, enters into an agreement to buy a duplex, the ground floor of which he will occupy as his principal place of residence. Because of an existing lease, the possession date is May 4, 2002.

On February 20, 2000, Steven withdraws \$15,000 from his RRSPs under the HBP. On May 4, 2002, he takes possession of the duplex and moves in.

Because Steven withdrew his funds in 2000, he has to buy the home before October 1, 2001. Although Steven took possession of the home after this deadline, we consider him to have bought the home by the deadline because he had an agreement in effect on October 1, 2001, he bought the home before October 1, 2002, and he was a Canadian resident when he bought it.

### Example 6

In January 2000, Clare withdraws \$10,000 from her RRSPs under the HBP. Earlier in the same month, she finalized a contract to have her home built, and paid \$2,000 to the contractor. She paid \$5,000 when construction started in April 2000, and \$6,000 more in August 2001, for a total of \$13,000. Clare dealt at arm’s length with the contractor.

Construction of the home is not completed until December 15, 2001, because the building materials arrived late.

Because Clare withdrew her funds in 2000, she has to have the home built before October 1, 2001. Although construction of the home is not completed until December 15, 2001, we consider Clare’s home to have been built by the deadline because the \$13,000 she paid towards its construction before this deadline is more than the total amount of her withdrawals (\$10,000), and because she dealt at arm’s length with the contractor.

## How do you make an HBP withdrawal?

You have to complete Form T1036, *Home Buyers’ Plan (HBP) – Request to Withdraw Funds from an RRSP*, for each RRSP withdrawal that you make under the HBP. You can get Form T1036 from your tax services office.

After completing Area 1 of Form T1036, give it to your RRSP issuer for processing.

### Your RRSP deduction may be affected by an 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. Under these rules, you may not be able to deduct all or part of the contributions made during that period for any year.

You cannot deduct the amount, if any, by which the total of your contributions to an RRSP during the 89-day period just before your withdrawal from that RRSP, is more than the fair market value of that RRSP after your withdrawal.

The same rules apply if you contributed to your spouse’s RRSP during the 89-day period just before your spouse’s withdrawal from the same RRSP under the HBP.

You and your spouse can use the chart on page 14 to determine the part of the contributions you or your spouse made that is not deductible for any year.



## Chapter 2 – Repaying your withdrawals

Over a period of no more than 15 years, you have to repay to your RRSPs the amounts you withdrew under the HBP. Generally, in each year of your repayment period, you have to repay 1/15 of your original HBP balance until the full amount is repaid to your RRSPs. Your repayment period starts the second year following the year you made your withdrawals.

Starting in the fall of the year following the year you made your withdrawals, each year we will send you a *Home Buyers' Plan (HBP) Statement of Account*. This statement will tell you the amount you have repaid, your HBP balance, and the repayment you have to make for the next year.

### Note

Even if you declare bankruptcy, you still have to repay to your RRSPs all amounts that you withdrew under the HBP.

## How do you make your repayments?

To make a repayment under the HBP, you have to make contributions to your RRSPs in the year the repayment is due or in the first 60 days of the following year. You can contribute the repayments to any of your RRSPs. Once your contribution is made, you have to designate all or part of the contribution as a repayment under the HBP.

To designate your repayment, complete Schedule 7, *RRSP Unused Contributions, Transfers, and HBP or LLP Activities* (in your tax package), and file it with your return. You have to do this even if you would not otherwise have to file a return for the year.

### Example 7

Harry participates in the HBP in 2001. He withdraws \$7,500 from his RRSPs to buy a qualifying home. In the fall of 2002, we send Harry a repayment statement to tell him that his repayment for 2003 is \$500, which is 1/15 of the amount he withdrew.

Harry contributes \$6,000 to his RRSPs in 2003. To designate \$500 as his 2003 repayment, Harry has to file Schedule 7 with his 2003 return.

**Contributions you cannot designate** – Not all contributions you make to your RRSPs in the repayment year or in the first 60 days of the following year can be designated as a repayment under the HBP. You **cannot** designate contributions that:

- you make to your **spouse's RRSPs** (or that your spouse makes to your RRSPs);
- are amounts you transfer directly to your RRSPs from a registered pension plan, deferred profit-sharing plan, registered retirement income fund, the Saskatchewan pension plan, or another RRSP;
- are amounts you deducted as a recontribution of an excess qualifying withdrawal that you designated to have a past-service pension adjustment approved;

- are amounts that you designate as a repayment under the Lifelong Learning Plan (LLP) for the year;
- are amounts you contribute in the first 60 days of the repayment year, that you deducted on your return for the previous year, or designated as a repayment for the previous year under the HBP or the LLP; or
- are amounts you receive in the year, such as retiring allowances, that you transfer to your RRSPs and deduct or will deduct on your return for that year.

### Note

If you do not have an RRSP deduction limit for the repayment year, you can still contribute to your RRSPs and designate the amount you contribute as a repayment under the HBP. We do not consider an amount you designate as a repayment under the HBP to be an RRSP contribution. Therefore, you cannot claim a deduction for this amount on your return.

### Example 8

In 1999, Robert withdraws \$6,000 from his RRSPs to participate in the HBP. Robert's repayment for 2001 is \$400 ( $\$6,000 \div 15$ ).

In 2001, Robert contributes \$8,200 to his RRSPs. Robert could deduct the full amount on his 2001 return because his *Notice of Assessment* shows that he has an RRSP deduction limit of \$11,000 for 2001.

Robert files Schedule 7 with his 2001 return and designates \$400 of the total \$8,200 he contributed to his RRSPs as a repayment under the HBP. Robert can deduct, on line 208 of his 2001 return, only \$7,800 of the contributions made to his RRSPs because we do not consider the \$400 he designates as a repayment under the HBP to be an RRSP contribution.

## What happens if you choose to begin your repayments earlier?

You can choose to begin your repayments earlier, but your repayment period will remain the same. Any repayments made before you are required to start your repayments will reduce the actual amount you have to repay in the first year of your repayment period.

### Example 9

In 2001, Clark withdraws \$9,000 from his RRSPs to participate in the HBP. Clark's required repayment for 2003 is \$600 ( $\$9,000 \div 15$ ). In 2002, Clark makes an early repayment of \$2,500.

Because the amount Clark repaid in 2002 was greater than his required repayment for 2003, he does not have to make a repayment in 2003.

## What happens if you repay more than the amount you have to repay?

If you repay and designate more than you have to repay, the HBP balance you have to repay to your RRSPs for later years is reduced.

The annual *Home Buyers' Plan (HBP) Statement of Account*

that we send you takes into account any additional payments you make and gives you the repayment amount for the next year.

If you want to calculate the minimum amount you have to repay for the next year, divide your HBP balance by the number of years remaining in your repayment period.

### Example 10

In 1999, Suzanne withdraws \$16,500 from her RRSPs to participate in the HBP. Her repayment for 2001 is \$1,100 ( $\$16,500 \div 15$ ). Suzanne makes the repayment for 2001, and for 2002 and 2003. In 2004, Suzanne receives an inheritance and decides to contribute \$8,000 to her RRSPs and designate that amount as a repayment under the HBP for the year 2004. She calculates the amount she has to repay for the year 2005, using the chart below.

Calculating the annual amount Suzanne has to repay			
Year	Column A HBP balance (column A minus column C for the previous year)	Column B Amount Suzanne has to repay for the year	Column C Amount Suzanne repays and designates as a repayment for the year
2001	\$16,500	\$1,100 ( $16,500 \div 15$ )	\$1,100
2002	\$15,400	\$1,100 ( $15,400 \div 14$ )	\$1,100
2003	\$14,300	\$1,100 ( $14,300 \div 13$ )	\$1,100
2004	\$13,200	\$1,100 ( $13,200 \div 12$ )	\$8,000
2005	\$5,200	\$472.73 ( $5,200 \div 11$ )	\$472.73

## What happens if you repay less than the amount you have to repay?

If you repay and designate less than the amount you have to repay, you will have to include the difference on line 129 of your return. The amount you include in your income is equal to the amount you have to repay for the year, **minus** the amount you repay and designate. You cannot include in income an amount that is more than the result of this calculation.

### Example 11

Bev withdraws \$12,000 under the HBP in 2001. For 2003, Bev's repayment is \$800 ( $\$12,000 \div 15$ ). Bev contributes \$500 to her RRSPs in 2003, and files Schedule 7 with her return to designate the \$500 as a repayment under the HBP. She cannot claim a deduction for the \$500 contributed to her RRSPs because she designated those contributions as a repayment under the HBP.

Bev has to include \$300 in her income on line 129 of her 2003 return. She determined this as follows:

Amount she has to repay for 2003	\$ 800
<b>Minus:</b> Amount she repays and designates on Schedule 7	– 500
Amount she includes in income on line 129	= <u>\$ 300</u>

## Situations where the repayments have to be made in less than 15 years

Additional repayment rules apply if an HBP participant:

- dies;
- becomes a non-resident; or
- is 70 years of age or over.

### If the participant dies

**General rule** – If an HBP participant dies, the legal representative has to include the participant's HBP balance in the participant's income for the year of death.

Starting in 2000, the amount to be included in a deceased participant's income for the year of death is equal to the participant's HBP balance before death less any RRSP contributions (made before the participant died) designated as an HBP repayment for the year of death.

### Example 12

John dies in 2004. At the time of death, his HBP balance was \$7,000. He had made a \$1,000 RRSP contribution before he died, which he intended to designate as an HBP repayment for 2004. John's legal representative has to include \$6,000 ( $\$7,000 - \$1,000$ ) as income on line 129 of John's final return for 2004.

**HBP election** – If, at the time of death, the participant had a spouse who is a resident of Canada, that spouse can elect jointly with the deceased’s legal representative, to make the repayments under the HBP and to not have the income inclusion rule apply for the deceased participant. The participant’s HBP balance at the time of death less any RRSP contributions designated as an HBP repayment for the year of death is treated as if the surviving spouse withdrew it, and it has to be repaid to the surviving spouse’s RRSPs.

**Note**

If, in the year of death but before the participant dies, the surviving spouse became a participant, the surviving spouse may still withdraw amounts under the HBP (up to \$20,000) from his or her RRSPs in the year. There are no adverse tax consequences to the surviving spouse if, as a result of electing to treat the deceased’s HBP balance as the spouse’s, the spouse’s HBP balance exceeds \$20,000.

For deaths that occur after 1998, if at the time of death the participant’s surviving spouse is also a participant and the election described above is made, the surviving spouse’s revised HBP balance has to be repaid over the remaining number of years in the surviving spouse’s repayment period.

However, if the surviving spouse was not a participant, the deceased participant’s HBP balance has to be repaid over the same number of years remaining in the deceased’s participation period.

To make a joint election, the surviving spouse and the deceased’s legal representative should sign a letter and attach it to the deceased’s return for the year of death. The letter should state that an election is being made to have the surviving spouse continue making repayments under the HBP, and to not have the income inclusion rule apply for the deceased.

Generally, if the surviving spouse who was not participating in the HBP elects to continue making the repayments for the deceased spouse, the surviving spouse is considered a participant and cannot make a withdrawal from any RRSP under the HBP until the HBP balance is completely repaid.

**Note**

If an election is made and the deceased had not made a repayment for the year of death, no repayment will be required for that year for the deceased.

**Example 13**

Ron dies June 10, 2002. At the time of death, Ron is a participant in the HBP but his spouse, Joanne, is not. At the time of death, Ron has an HBP balance of \$5,000. Unless Joanne elects to make Ron’s HBP repayments, the \$5,000 HBP balance will have to be included on Ron’s 2002 return.

Joanne, who is the legal representative of the estate, decides to repay Ron’s HBP balance. She attaches a letter to Ron’s 2002 return to elect to repay Ron’s HBP balance and to not have the income inclusion rules apply for Ron. Joanne will continue making the repayments to her RRSPs following Ron’s repayment period.

As a result of making the election, Joanne is now considered a participant. She cannot make an HBP withdrawal from her RRSPs until the HBP balance has been completely repaid.

**Example 14**

Gert and David are married. In 2001, they each withdraw \$20,000 from their respective RRSPs to participate in the HBP. The repayment period for both Gert and David is from 2003 to 2017.

On December 7, 2007, Gert dies. At that point, she still has \$12,000 of her total withdrawal left to repay. She had not made her repayment for 2007.

David, who is the legal representative of the estate, attaches a letter to Gert’s final return to state that he is electing to repay her \$12,000 HBP balance to his RRSPs. As a result of making the election, the unpaid balance of \$12,000 does not have to be included in Gert’s income for 2007 and a repayment for Gert for the year of death does not have to be made.

When Gert died, David had made his repayment for 2007. His balance to be repaid is \$10,000. Gert’s unpaid balance of \$12,000 is added to David’s \$10,000, and he will have to repay \$22,000 over the next 10 years (2008 to 2017, inclusive). In 2008, he has to repay \$2,200, determined as  $(\$10,000 + \$12,000) \div 10$  years.

---

**If you become a non-resident**

You may cease to be a resident of Canada after a qualifying home is bought or built. If this is the case, you have to repay the balance of the funds you withdrew under the HBP before the date you file your return for the year, or no later than 60 days after you cease to be a Canadian resident, whichever date is earlier. If you do not make the repayment by this deadline, you have to include the amount that you have not repaid in your income for the year that you became a non-resident. The amount is included in income for the period you were resident in Canada.

---

**Example 15**

In 2000, Jeannie withdraws \$10,000 from her RRSPs under the HBP to buy a qualifying home. On November 10, 2004, she leaves Canada to live in France. At that time, her unpaid HBP balance is \$4,000.

Jeannie has 60 days after becoming a non-resident, that is, until January 9, 2005, to repay the balance. She contributes \$2,500 to her RRSPs on December 2, 2004, and \$1,000 to her RRSPs on January 7, 2005, for a total contribution of \$3,500. Jeannie completes and files Schedule 7 with her 2004 return to designate this contribution as a repayment under the HBP. Because she has not repaid the full amount, Jeannie has to include \$500 in her 2004 income, calculated as  $\$4,000 - (\$2,500 + \$1,000)$ .

---

**If you are 70 years of age or over**

After the end of the year you reach the age of 69, you will not be able to repay your withdrawals made under the HBP. This is because you cannot contribute to an RRSP after the end of the year you reach the age of 69.

In the year you reach the age of 69, you can choose to repay all or part of your HBP balance. If you do not repay your entire HBP balance, you have to include in your income, for each later year, the amount that would be your annual repayment as it becomes due.

### Example 16

In 2001, Mary withdraws \$18,000 from her RRSPs to participate in the HBP. In 2005, Mary reaches the age of 69.

Mary repays the amount of \$1,200 for 2003 and 2004, and at the beginning of 2005 has an HBP balance of \$15,600 to repay to her RRSPs. Because Mary reaches the age of 69 in 2005, this is the last year she can contribute to her RRSPs.

Mary has to decide how much of the \$15,600 to repay to her RRSPs in 2005. Mary decides to contribute \$10,000 to her RRSPs and to designate that amount as a repayment under the HBP. This leaves her with an unpaid balance of \$5,600 at the end of 2005. Mary will have to include \$466.67 ( $\$5,600 \div 12 = \$466.67$ ) in income for each year from 2006 to 2017.

If Mary did not repay any part of the \$15,600, she would have to include \$1,200 in income each year from 2005 to 2017. If Mary repaid the entire \$15,600, she would not have to include any part of this amount in her income.

## Chapter 3 – Other rules you should know

### What happens if you do not meet all the HBP conditions?

If you do not meet all the HBP conditions, your RRSP withdrawals will not be considered eligible and will have to be included in income for the year you received them. If we have already assessed your return for that year, we will reassess it to include the withdrawals.

### Cancelling your participation

You can cancel your participation in the HBP if you have met all but one of the following HBP conditions:

- you did not buy or build a qualifying home or replacement property; or
- you became a non-resident before buying or building a qualifying home or a replacement property.

If either of these situations applies to you, complete the cancellation form at the end of this guide.

You can also do it if you gave the funds you withdrew under the HBP to a related disabled person to acquire a home, and:

- that person does not buy or build a qualifying home or replacement property; or
- you become a non-resident before that person buys or builds a qualifying home or a replacement property.

### Note

If you make a withdrawal from your RRSP that meets all applicable HBP conditions, you cannot cancel your participation.

If you repay to your RRSPs the full amount you withdrew under the HBP, you will not be taxed on your withdrawal. Any portion of your withdrawal that is not repaid will have to be included in your income for the year you received the funds.

Starting in 2000, you can make your cancellation payments to any of your RRSPs or to a new RRSP, with any issuer.

**Due date for making cancellation payments** – If you cancel your participation because a qualifying home or replacement property was not bought or built, your cancellation payments are due on or before December 31 of the year after the year you received the funds.

If you cancel your participation because you became a non-resident before a qualifying home or replacement property was bought or built, your due date will depend on when you became a non-resident. If you were a non-resident at the time you filed a return for the year you received the funds, your cancellation payments are due on or before the earlier of the following two dates:

- December 31 of the year after the year you received the funds; or
- the day you filed a return for the year you received the funds.

In all other situations, your cancellation payments are due on or before December 31 of the year after the year you received the funds.

**How to cancel your participation** – To cancel your participation, you have to complete the form provided at the end of this publication. Send us the completed form and the official RRSP contribution receipt your RRSP issuer gave you on or before the cancellation payment due date that applies to you.

### Example 17

Jason and his spouse, Karen, each complete Form T1036 on April 10, 2000, to withdraw amounts from their RRSPs under the HBP. Jason withdraws \$12,000 from his RRSPs and Karen withdraws \$14,000 from her RRSPs. They had entered into a written agreement on March 20, 2000, to buy a qualifying home on September 12, 2000.

In August 2000, Jason and Karen decide not to buy the home and to cancel their participation in the HBP. Jason repays \$12,000 to one of his RRSPs. He completes the cancellation form and sends it to us with his official RRSP receipt on or before December 31, 2001.

Karen also completes and sends us the cancellation form with her official RRSP receipt before 2002, but she decides to keep \$6,000 of the withdrawn funds and repays only \$8,000 to her RRSP. Karen has to report \$6,000 as income on her 2000 return, because she did not repay these funds to her RRSP.

## **If you cannot participate in the year, can you participate in a later year?**

If you cannot participate in the HBP in a year, because you do not meet the first-time home buyer's condition or because your HBP balance was not zero on January 1 of the year you want your participation period to start, you may be able to participate in the HBP in a later year.

**First-time home buyer** – If, during the period beginning January 1 of the fourth year before the year of withdrawal and ending 31 days before your withdrawal, neither you nor your spouse owned a home that you occupied as your principal place of residence, you may be able to participate in the HBP. For example, if in 1996, you sold the home you previously lived in, you may be able to participate in 2001, or if you sold the home in 1997, you may be able to participate in 2002.

**HBP balance** – If you participated in the HBP in a previous year, you can do so again if your HBP balance on January 1 of the year in which you want your new participation to begin is zero, and you meet all the other HBP conditions that apply to your situation.

For example, you withdraw funds from your RRSPs under the HBP in 1997. Your repayment period is from 1999 to 2013. If you repay the funds you withdrew over the full 15-year repayment period, you may be able to participate in

the HBP again in 2014. If you completed repaying the funds in 2006, you may be able to participate in the HBP again in 2007.

### **Note**

If you repay the remainder of your HBP balance owing by designating an RRSP contribution made in the first 60 days of the following year, we consider your HBP balance to be zero on January 1 of the year in which the contribution was made.

## **Can you use funds withdrawn under the HBP for other purposes?**

As long as you buy or build a qualifying home and meet all the conditions to participate in the HBP, you can use the funds you withdrew under the HBP for any purpose.

## **Can you participate in the Lifelong Learning Plan (LLP) at the same time?**

You can participate in the HBP even if you have withdrawn funds from your RRSPs under the LLP that you have not yet fully repaid. For more information about the LLP, get the guide called *Lifelong Learning Plan (LLP)*.

**Calculating the part of the contributions you or your spouse made to an RRSP that is not deductible for any year**

Use a separate chart for each withdrawal made under the HBP.

**Area 1 – Complete this area if you are the only one who contributed to your RRSP during the 89-day period just before you withdrew an amount from that RRSP**

1.	RRSP number	_____		
2.	Amounts you contributed to the above RRSP during the 89-day period just before your withdrawal under the HBP from that RRSP *		\$ _____	<b>2</b>
3.	Fair market value of the property held in the above RRSP just after your withdrawal	–	_____	<b>3</b>
4.	Line 2 <b>minus</b> line 3 (if negative, enter "0"). This is the amount of your contribution to the RRSP indicated on line 1 that you cannot deduct for any year.	=	\$ _____	<b>4</b>

**Area 2 – Complete this area if you contributed to your spouse's RRSP during the 89-day period just before your spouse withdrew an amount from that RRSP**

5.	RRSP number	_____		
6.	Amounts you and your spouse contributed to the above RRSP during the 89-day period just before your spouse's withdrawal under the HBP from that RRSP **		\$ _____	<b>6</b>
7.	Fair market value of the property held in the above RRSP just after your spouse's withdrawal	–	_____	<b>7</b>
8.	Line 6 <b>minus</b> line 7 (if negative, enter "0"). This is the amount of the contributions to the RRSP indicated on line 5 that is not deductible for any year. ***	=	\$ _____	<b>8</b>

\* **Do not include:**

- any amounts for which you did not receive an official RRSP receipt;
- contributions representing lump sum amounts (for example, retiring allowances) that you transferred to this RRSP (however, you have to include lump-sum amounts that represent contributions you made to another RRSP during the 89-day period just before your withdrawal, and that were transferred to the RRSP identified on line 1);
- the excess amount that you withdrew from your RRSPs in connection with the certification of a provisional past-service pension adjustment that you recontributed to this RRSP in the 89-day period just before your withdrawal, and for which you claim or will claim a deduction; or
- an amount you contributed to this RRSP that was refunded to you as an undeducted amount (you may have completed Form T3012A, *Tax Deduction Waiver on the Refund of Your Undeducted RRSP Contributions Made in \_\_\_\_*).

\*\* **Do not include:**

- any amounts for which you or your spouse did not receive an official RRSP receipt;
- contributions your spouse made for amounts that your spouse transferred to this RRSP (however, you have to include amounts that your spouse contributed to another RRSP during the 89-day period just before your spouse's withdrawal, and that your spouse transferred to the RRSP identified on line 5);
- the excess amount that your spouse withdrew from your spouse's RRSPs in connection with the certification of a provisional past-service pension adjustment that your spouse recontributed to this RRSP in the 89-day period just before your spouse's withdrawal, and for which your spouse claims or will claim a deduction; or
- an amount you or your spouse contributed to this RRSP that was refunded to you or your spouse as an undeducted amount (you or your spouse may have completed Form T3012A, *Tax Deduction Waiver on the Refund of Your Undeducted RRSP Contributions Made in \_\_\_\_*).

\*\*\* If both you and your spouse contributed to the above RRSP during the 89-day period just before your spouse's withdrawal under the HBP, the earliest contributions made during this period are the non-deductible contributions.

### HOME BUYERS' PLAN (HBP) – CANCELLATION

Complete this form to advise us that you have not met one of the following HBP conditions (please check the box that applies to you):

A qualifying home or replacement property was not bought or built.

I ceased to be a resident of Canada before a qualifying home or replacement property was bought or built.

If you have met all but one of the above-stated HBP conditions, you can repay your HBP withdrawals to your RRSPs and not pay tax on them. If you do not repay all the amounts you withdrew, you have to include the unpaid amounts in your income for the year you received the funds. You can make your cancellation payments to any of your RRSPs. For information on making cancellation payments, see "Cancelling your participation" on page 12.

Last name		First name and initials		Social insurance number
Address				Amount of cancellation payment (please attach official receipt)
City	Province	Postal code	Telephone number ( )	
				\$

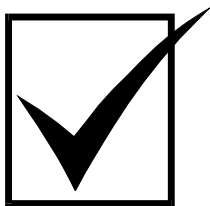
\_\_\_\_\_  
Participant's signature

\_\_\_\_\_  
Date

Send this form and your official RRSP contribution receipts (if applicable) to: Pension and RRSP Processing Group  
Ottawa Technology Centre  
875 Heron Road, Room 362  
Ottawa ON K1A 1A2



## Your opinion counts!

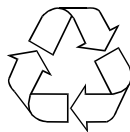


We review our income tax guides and pamphlets each year. If you have any comments or suggestions to help us improve our publications, we'd like to hear from you!

Please send your comments to:

**Client Services Directorate  
Canada Customs and Revenue Agency  
400 Cumberland Street  
Ottawa ON K1A 0L5**

Think recycling!



**Printed in Canada**