

Balance Sheet Budget helps home buyers

By GEORGE DENIER
Home ownership is a major goal of most Canadian families, and, thanks to measures announced in Finance Minister Marc Lalonde's April 19 budget, that goal has become a little easier for many people to attain.

The budget proposed significant changes to Registered Home Ownership Savings Plan (RHOSP). The Minister has opened the RHOSP rules quite liberally, with the intention (at least in part) of assisting the recovery of the construction industry.

From April 20, 1983, individuals acquiring a newly constructed home on or before Dec. 31, 1984, will be able to claim an expanded RHOSP deduction in the year of home construction.

Under the present rules, individuals are restricted to an annual deduction of \$1,000 per year for a contribution to a RHOSP up to an accumulated total of \$10,000. For the above noted period, an additional "topping-up" deduction will be allowed in the year of the home acquisition equal to the amount by which \$10,000 exceeds the tax deductible RHOSP contributions made and claimed by the individual in prior years.

In other words, if you have not made the \$10,000 maximum RHOSP contribution by the time you acquire your home, you may effectively contribute the amount of any shortfall in that year and then withdraw the funds from the RHOSP in order to facilitate the purchase of the home.

This rule will apply only for the 1983 and 1984 taxation years and only where the funds withdrawn from the plan are used in the year or within 60 days after the end of the year to purchase a new owner-occupied home either alone or with qualifying new home furnishings as described below. In addition, the following conditions must be met:

1. The home must be occupied by the taxpayer after April 19, 1983, and within 60 days after the end of the year.
2. No "topping-up" RHOSP deductions

may be claimed by another person in respect of the same home.

3. No grant is paid under the Canadian Home Ownership Stimulation Plan (the \$3,000 grant) in respect of the home, and

4. Neither the taxpayer nor his spouse previously owned a dwelling after 1981.

For this purpose, a new home means a housing unit in Canada that was not used for any purpose (other than display) before it was acquired by the taxpayer.

It should be noted the the budget documents indicate that the home purchase need not be closed on or before Dec. 31, 1984. Apparently, it will be sufficient that the taxpayer has completed a written offer to purchase the home on or before Dec. 31, 1984, with the date of closing and occupancy no later than Feb. 28, 1985.

Homes for which a purchase agreement was entered into prior to April 20, 1983, will also qualify for this temporary tax incentive provision if the offer to purchase was signed prior to that date, but the date of closing was not before April 20, 1983.

Other changes to the RHOSP rules will help many people with purchases of home furnishings. For the remainder of 1983, but not for 1984, individuals who had accumulated funds in a RHOSP plan and were beneficiaries under such a plan on April 18, 1983, will be permitted to withdraw part or all of those funds on a tax-free basis after April 19, 1983, providing that the funds withdrawn are used to purchase qualifying new home furnishings for the taxpayer's own use in Canada.

To obtain this tax-free treatment for the withdrawal of such funds, it is also necessary that the taxpayer not claim, as a deduction in computing his income for 1983, any contribution to such a RHOSP plan after April 19, 1983.

To qualify, the furnishings must be new and must be purchased between April 20, 1983, and Dec. 31, 1983, inclusive. Goods purchased on or before April 19, 1983, but

delivered after that date, will also qualify for this special treatment.

As well, goods purchased on or before Dec. 31, 1983, but delivered thereafter will qualify providing delivery is on or before Feb. 29, 1984.

Qualifying furnishings will include, if new, the following:

1. furniture for use in the home;
2. appliances for use in the home which are refrigerators and freezers, washers and dryers, dishwashers, stoves and ovens, vacuum cleaners, floor polishers and rug shampooers;
3. curtains, drapes, blinds and interior window shutters; and
4. rugs and carpets including underpadding.

Not included in qualifying furnishings and appliances will be musical instruments, home entertainment equipment such as games tables, video games, computers, televisions and stereos, clocks, outdoor furniture, humidifiers, dehumidifiers, air cleaners and conditioners, listed personal property (such as prints, paintings, sculptures, etc.), appliances for outdoor use, and any appliances costing less than \$100 each.

To obtain this special tax treatment, taxpayers will be required to include copies of the sales receipts with their 1983 tax returns.

The budget also makes note that in the event that the amount of the funds withdrawn from the RHOSP exceeds the amount of the qualifying purchases, the excess will be included in income for tax purposes in the year of withdrawal — an unlikely event!

For more information on these and other proposals in the April 19 budget, write to: The Balance Sheet, care of this newspaper. EDITOR'S NOTE: George Denier, C.A., is a resident of Markham and tax partner in the North York office of Thorne Riddell, Chartered Accountants.

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