

Tax breaks offered to homeowners

Renovations as well as new housing

MARTY HOPE
CALGARY HERALD

Canada's \$50-million home renovation industry will get to taste a morsel or two off the federal government's plate laid out by the federal government.

As part of its \$40-billion budget released last week, homeowners undertaking renovations will be able to claim a maximum tax credit of \$1,350 from additions and upgrades made to their homes.

For those looking to do some retrofit, the Home Renovation Tax Credit will let them claim 15 per cent of renovations that cost between \$1,000 and \$10,000 until Feb. 1 of next year.

The government says the program could provide about \$3 billion in tax relief to 4.6 million families.

"It's a help — better than nothing," says Danny Ritchie, president of Ultimate Renovations. "There are people out there who will benefit greatly from the assistance."

Ritchie says the \$10,000 ceiling to the program will cover the cost of renovating a main-floor bath, including the tub, toilet, vanity, shower, flooring, drywall and paint.

He also says that where the tax credit might come in handy is in a condo project where work could be done in all the suites, with each owner then filing for the rebate. "If it's

not a big-ticket item, it would be worthwhile," says Ritchie.

For those getting into home ownership for the first time, they will benefit from a pair of measures presented as part of the budget.

The first one is a First-Time Home Buyers' Tax Credit which would help offset legal fees and land-transfer taxes.

For homes bought after Jan. 27, a 15-per-cent tax credit would apply on expenditures of up to \$5,000 — a maximum tax savings of \$750. In addition,

first-timers could make better use of a federal program introduced a few years ago.

Federal Finance Minister Jim Flaherty announced a new withdrawal limit for the Home Buyers' Plan, which allows tax-free withdrawals from RRSPs for the purpose of buying that first home.

The new withdrawal limit would be \$25,000, up from \$20,000.

Both the increased withdrawal limit for the Home Buyers' Plan and the new first-time home buyers' tax credit can also be used by existing disabled owners of existing homes who are eligible for a disability tax credit and who want to buy a more accessible home.

While appreciative of all the help homeowners and potential purchasers received, the Canadian Home Builders' Association was hoping for more help for homebuyers.

CHBA president John Hrynkow says the industry will benefit from the new funding for core infrastructure, the renovation tax credit, the tax credit for first-time homebuyers, expansion of



John Hrynkow



Mike Cassese, Reuters

The First-Time Home Buyers' Tax Credit was part of several measures addressed towards housing in the budget by Finance Minister Jim Flaherty.



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Danny Ritchie of Ultimate Renovations says the renovation tax credit will 'greatly benefit' some people.

the ecoEnergy home energy retrofit initiative, additional support for training of skilled tradespeople, and new funding for core infrastructure.

But the Edmonton-based CEO of Park Royal Homes, who winds up his term as national president during the association's annual conference next month in Quebec, was disappointed the Harper government didn't make changes to the GST rebate program.

The industry was hoping adjustments would be made to the indexing of GST thresholds across the country.

"I was disappointed as this would have improved housing affordability for all new home buyers," says Hrynkow.

Indexing is considered among the most urgent issues for CHBA as a way of protecting housing affordability across Canada.

Housing affordability has benefited from the reduction in the general rate of the GST from seven to five per cent.

As a result of this reduction, plus

the continuation of the GST rebate, the actual rate of GST on new homes eligible for the full rebate has been reduced from 4.48 to 3.2 per cent.

This is roughly the same percentage of federal sales taxes on a new home as applied prior to the introduction of the GST in 1991.

This is a major step in supporting housing affordability, says Hrynkow.

"However, with rising house prices, the lack of indication of the thresholds for the new home rebate has meant that many new home buyers, particularly in urban centres, do not benefit from the reduced GST."

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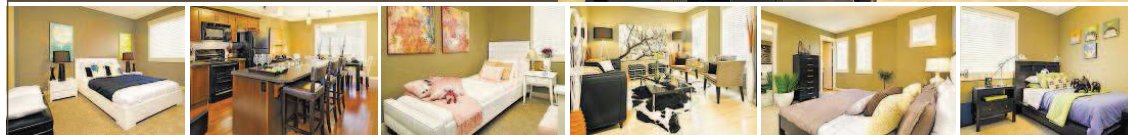
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