

HOME BUYERS' PLAN: USING YOUR RRSP TO BUY A HOME

The Home Buyers' Plan (HBP) allows participants to withdraw up to \$20,000 from their registered retirement savings plan (RRSPs) to purchase or build a qualifying home. The home can be for yourself or for a related disabled person.

Withdrawals that meet the HBP conditions do not have to be included as income, and your RRSP issuer will not withhold tax on these amounts. Withdrawals can be a single amount or a series of withdrawals throughout the same year, as long as the entire amount does not exceed \$20,000. These funds are to be repaid to the RRSP according to the government's repayment schedule.

Each spouse may withdraw up to \$20,000 from his or her RRSP.

Who can participate?

You may participate if you are a resident of Canada and if you (or your spouse) are considered a first-time home buyer. A first-time home buyer cannot have owned a home while occupying it as a principal residence in the current year or the previous four years.

You must have entered into a written agreement to buy or build a qualifying home.

As of January 1, 1999, you may participate in the plan more than once, provided that neither you nor your spouse have owned or lived in a house as your principal residence within the specified period, your previous HBP withdrawal has been repaid and you meet all the other conditions under the HBP.

Some RRSPs, such as locked-in or group RRSPs, do not allow you to withdraw funds from them. Consult your RRSP issuer for information about eligibility.

To qualify for the HBP, your home must be:

- located in Canada;
- acquired not more than 30 days before receiving the withdrawal under the HBP;
- occupied as your principal residence within one year after buying or building it;
- defined as one of the following:
 - detached or semi-detached home,
 - townhouse,
 - mobile home,
 - condominium unit,
 - apartment in a duplex, triplex, fourplex or apartment building, or
 - a share in a cooperative housing corporation that gives you an equity interest in a housing unit.

Repayment schedule

The money withdrawn from your RRSP must be repaid over a period of no more than 15 years. You must begin payments by at least the second year after funds were withdrawn.

Each year, you must repay 1/15 of the total amount you withdrew. If you repay more, the amount in subsequent years will be reduced. If you repay less, the amount you did not pay will be considered income and will be taxed.

Certain contributions, such as those to a pension fund or spousal RRSP, cannot be considered as repayment.

For conditions and more information...

Call, write or visit the General Enquiries service of your local Canada Customs and Revenue Agency office or visit them at www.ccra.gc.ca.