

## HOME BUYERS' PLAN (HBP)

The Home Buyers' Plan allows an individual to borrow up to \$20,000 of money previously contributed to an RRSP to acquire a home in Canada to be used as the individual's principal residence. Each individual can withdraw up to \$20,000 from any combination of plans of which he or she is the annuitant, so that a married couple, for example, could withdraw up to \$20,000 each if they each have that much in their own RRSPs for the purchase of a jointly owned house. Common-law partners can similarly do this and any group of related or unrelated individuals, provided they can agree on the intricacies of collective home ownership. If one spouse/common-law partner's plan is a spousal or common-law partner plan RRSP to which all contributions have been made by the other spouse/common-law partner, withdrawals under the home Buyers' Plan can be made from the spousal or common-law partner plan by the annuitant spouse/common-law partner and will not be included in the contributing spouse/common-law partner's income, unless for some reason they prove to be unqualified and would otherwise be included in the annuitant's spouse/common-law partner's income.

- The money withdrawn under the Home Buyers' Plan is, in effect, an interest-free loan from the individual's RRSP.
- It must be repaid in annual installments over a 15 –year period, commencing with the second year following the withdrawal.
- As with ordinary RRSP contributions, individuals are in fact given 60 days following the year-end to make a repayment. Thus, if an individual withdraws funds under the Home Buyers' Plan in 2008, he or she must commence repayments by March 1, 2011.

Although the Plan is essentially intended for the first time home buyers, the government has recognized that such a rule would be unfair in a variety of situations. It has therefore chosen a five-year period of non-ownership as the test to ensure that current or recent home-owners cannot use the Home Buyers' Plan. However, after 1998, the five-year rule will be waived where a person who qualifies for the disability credit (or a related individual) buys a home which is more accessible for, or better suited to, the care of the disabled person.