the SmallBiz Builder

your monthly newsletter

Padgett

FEBRUARY 2025

This Month:

- RRSP, TFSA, and FHSA Limits
- Selected Personal Tax Credits Related to Real Estate

RRSP

March 3rd, 2025, is the deadline to make RRSP contributions to be eligible for a deduction in your 2024 personal tax return. Contributions made after this date will not be deductible against 2024 income. The contribution limit for 2024 is $31 560 although this may be less if you have an employer-provided pension plan or deferred profit-sharing plan. Your overall contribution room may also be reduced if you overcontributed in prior years, or higher if you haven't maximized your past years' RRSP contributions. There is only a $2 000 margin for overcontribution errors. Beyond this amount, you will have to pay a 1% per month penalty tax on overcontributions. You should review your RRSP contribution room on the Notice of Assessment for your 2023 tax year issued to you by the Canada Revenue Agency ("CRA").

TFSA

The Tax-Free Savings Account limit is maintained at $7 000 for 2025. Be sure to track your TFSA contributions since there are penalties for overcontributions and there's no margin for error like with the RRSP. Although CRA does keep track of your TFSA contribution room, information on contributions you make to your TFSA is not automatically uploaded to CRA by your financial institution. The CRA receives this information only annually and it takes time for CRA to process this information. So be careful of this timing delay if you are verifying your TFSA contribution room through the CRA portal "My Account".

FHSA

The First Home Savings Account was introduced in 2023 to help first time home buyers save up to $40 000 for a home purchase. Contributions to an FHSA are deductible like an RRSP. Income earned in the FHSA and qualifying withdrawals will not be taxable. There is a new T4FHSA slip that financial institutions will remit concerning tax information including contributions and withdrawals. The lifetime limit on contributions is $40 000 with an annual contribution limit of $8 000.

First-time home buyers tax credit – also known as the Home Buyers Amount, a $10,000 tax credit can be claimed on your personal tax return in the year you buy a home if you are a "first-time" home buyer. At a 15% tax credit rate, this translates into $1,500 of tax savings. You are a "first-time" home buyer if neither you nor your spouse/common-law partner owned a home in the year you bought the new home, nor in any of the previous 4 calendar years. If you have a disability, you might not have to be a "first-time" home buyer to qualify if the reason for the new home purchase is to live in a home that is more accessible and suited to your needs. Be sure to advise your Padgett advisor if you bought a home in 2024 and you think you may qualify. Also, be sure you've advised CRA of your change of address.

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Home Accessibility Credit – up to $20 000 of expenses are eligible for this credit. At the 15% tax credit rate, this converts to $3,000 of tax savings on eligible expenses. This credit is to assist individuals to gain access to, or to be more mobile or functional in their dwelling, or reduce their risks related thereto. Modifications will generally qualify if the individual qualifies for the disability tax credit or is 65 years or older. These expenses can be paid on behalf of you, or in some cases for certain dependents. The expenses should be of an enduring nature and integrated into the home. In general, if the item purchased will not become a permanent part of the home, it is not eligible. Of course, detailed invoices, agreements, and receipts need to be kept should the CRA want to verify the claim. The expenses will not be reduced by any federal or provincial government assistance provided. Examples of qualified renovations include grab bars and handrails, walk-in bathtubs or wheel-in showers, wheelchair ramps, widening doorways for wheelchair accessibility, or lowering existing counters and cupboards among others. The expenditures may also qualify for the medical expense tax credit, and some provincial credits as well (British Colombia and New Brunswick).

Multi-Generation Home Renovation Tax Credit – this tax credit helps taxpayers to care for adult relatives in their own homes by providing some tax relief on expenses incurred to build a secondary suite for the family member who is a senior, or an adult who has a disability, to move into. The secondary suite must be a self-contained housing unit that has a private entrance, kitchen, bathroom, and sleeping area. Additionally, the home being renovated must be inhabited or reasonably expected to be inhabited within 12 months after the end of the renovations. Routine repairs, appliances, electronic home-entertainment systems, security monitoring, housekeeping, and interest costs relating to the renovation won't qualify for the credit. The tax credit is 15% of the expenses, a maximum of $50,000, which works out to a maximum credit of $7,500. The credit is also refundable. This means that if the tax credit is more than your taxes payable, you will get a refund.