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## Home Renovation Tax Credit

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### 1. What is the Home Renovation Tax Credit (HRTC)?

The proposed HRTC is a non-refundable tax credit for work performed or goods acquired in respect of an eligible dwelling.

### 2. What is meant by eligible dwelling?

An eligible dwelling is a housing unit that is eligible to be an individual's principal residence or that of one or more of their family members, at any time between January 27, 2009 and February 1, 2010. In general, a housing unit is considered eligible to be an individual's principal residence where it is owned by the individual and ordinarily inhabited by the individual, the individual's spouse or common-law partner, or their children. This means that any dwelling that you own and use personally could qualify, including your home or your cottage.

### 3. What is the eligibility period?

The credit will be based on eligible expenditures for work performed or goods acquired after January 27, 2009, and before February 1, 2010. Expenditures incurred pursuant to an agreement

that was entered into before January 28, 2009, will not be eligible for the credit.

#### **4. Who will be eligible for the credit?**

Eligibility for the HRTC will be family based. A family will generally be considered to consist of an individual or an individual and his or her spouse or common-law partner, including children who will be under 18 years of age, at the end of 2009. A family will be allowed a single credit that may be shared within the family.

If two or more families share the ownership of an eligible dwelling, each family will be eligible for their own separate credit (i.e. each up to \$1,350) that will be calculated on their respective eligible expenditures.

#### **5. How will the credit be calculated?**

The credit will only be available for the 2009 tax year and applies to eligible expenditures of more than \$1,000, but not more than \$10,000, resulting in a maximum credit of \$1,350 (\$9,000 x 15%).

#### **6. What are eligible expenditures?**

To be eligible, expenditures incurred in relation to a renovation or alteration to an eligible dwelling (or the land that forms part of the eligible dwelling) must be of an enduring nature and integral to the dwelling, and includes the cost of labour and professional services, building materials, fixtures, rentals, and permits.

Eligible expenditures must be supported by acceptable documentation.

Some businesses or individuals may assert that certain items qualify for the HRTC. It is important to remember that the individual taxpayer making the claim on their tax return is responsible for ensuring that all eligibility requirements are met.

#### **7. What does the CRA consider to be acceptable documentation?**

Documentation, such as agreements, invoices, and receipts, must clearly identify the type and quantity of goods purchased or services provided, including, but not limited to, the following information:

- information that clearly identifies the vendor/contractor, their business address and, if applicable, the GST/HST registration number;
- a description of the goods and the date when the goods were purchased;
- The date when the goods were delivered (keep your delivery slip as proof) and/or when the work or services were performed;
- A description of the work performed including the address where the work was performed;
- the amount of the invoice; and
- proof of payment. Receipts or invoices must indicate paid in full or be accompanied by other proof of payment, such as a credit card slip or cancelled cheque.

Please consult our [Underground Economy](#) Web page, for tips to protect yourself when hiring a contractor.

To verify whether someone is registered for GST/HST, please consult the [GST/HST Registry](#).

**8. If I own both a house and a cottage and incur eligible expenditures for both, are both sets of expenditures eligible for the HRTC?**

If you own and use your home and cottage personally, eligible expenditures incurred for both properties will normally qualify for the HRTC. Please note that the maximum amount of eligible expenditures you can claim in respect of the HRTC is \$10,000 per family.

**9. I am planning to replace my windows in 2009: can I hire my brother-in-law to help me out and still be eligible?**

It depends. Expenditures will not be eligible if the related goods or services are provided by a person not dealing at arm's length with the individual, unless that person is registered for the Goods and Services Tax/Harmonized Sales Tax under the *Excise Tax Act*. So, in your case, if your brother-in-law is registered for GST/HST and if all other conditions are met, the expenditure will be eligible for the credit.

**10. Will expenditures for the common areas of condominiums and co-operative housing corporations qualify for the credit?**

In the case of condominiums and co-operative housing corporations, the individual's share of the cost of eligible expenditures for common areas will qualify.

**11. I rent out my basement. If I renovate the basement for my tenant, will I be allowed to claim the credit?**

No. Individuals who earn business or rental income from part of their principal residence will be allowed to claim the credit only for expenditures made for the personal-use areas of the residence.

For expenditures made for common areas or that benefit the housing unit as a whole (such as re-shingling a roof), you must divide the expense between personal use and income-earning use. For further information, please consult the [Business and Professional Income Guide](#) or the [Rental Income Guide](#), as applicable.

**12. If an eligible expenditure also qualifies for the Medical Expense Tax Credit (METC), will I be allowed to claim both the HRTC and METC?**

Yes. Where an eligible expenditure qualifies for the METC the individual will be permitted to claim both the METC and the HRTC for that expenditure.

**13. Will the credit be reduced by other government grants or credits that I may receive for the same expenditures?**

No. Eligible expenditures will not be reduced by other government tax credits or grants that the individual may be entitled to.

**14. Does work performed by electricians, plumbers, carpenters, architects, etc. qualify?**

Generally, work performed by electricians, plumbers, carpenters, architects, etc. in respect of an eligible expenditure will qualify. See below for examples of eligible expenditures. If you're planning on hiring a contractor to do construction, renovation, or repair work on your home, the [Get it in Writing!](#) Web site has information that will help you.

**15. Could you provide me with some examples of eligible and ineligible expenditures?**

See [Examples of eligible and ineligible expenses](#).

#### **16. What types of expenditures will not qualify?**

The following expenditures will not be eligible for the HRTC:

- the cost of routine repairs and maintenance normally performed on an annual or more frequent basis;
- expenditures that are not integral to the dwelling, and other indirect expenditures that retain a value independent of the renovation;
- expenditures for appliances and audio-visual electronics; and
- financing costs.

#### **17. Do I have to submit any supporting documents with my income tax return?**

No. However, you must ensure that this information is available, should it be requested by the CRA.

#### **18. How will I claim the HRTC?**

A new line will be incorporated in the 2009 personal income tax return to allow you to claim the credit.

#### **19. Where can I get more information about this new tax credit?**

For further information, call CRA's individual income tax enquiries service at 1-800-959-8281 (1-800-959-7383 for French).

#### **20. The Budget also mentions the ecoENERGY Retrofit – Homes grant. What is it and how can I obtain more information?**

The ecoENERGY Retrofit – Homes grant is administered by Natural Resources Canada. The grant applies to a host of measures that reduce energy consumption and provide for a cleaner environment. Home and property owners could be eligible for federal grants of up to \$5,000 to offset the cost of making energy efficiency improvements to their home or property. Most provinces and territories have complementary programs that offer additional financial assistance based on the results of the ecoENERGY Retrofit evaluation. For information on how you can qualify, please consult the [ecoACTION Web site](#).

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## Examples of eligible and ineligible expenses

The HRTC can be claimed for most renovations or alterations to your home or property that are permanent in nature. As a rule of thumb, if the item you purchase will not become a permanent part of your home or property, it is not eligible. There are items, however, that have been explicitly excluded (see below). Due to the large number of expenditures that can qualify, it is not practical to provide a complete list.

### Eligible expenses

- Renovating a kitchen, bathroom or basement
- Windows and doors
- New carpet or hardwood floors
- A new furnace, woodstove, boiler, fireplace, water softener, water heater or oil tank
- Home ventilation systems (of a permanent nature)
- Central air conditioner
- Permanent reverse osmosis systems
- Septic systems
- Wells
- Fixtures - blinds, shades, shutters, lights, fans, etc.
- Electrical wiring in the home (example: changing from 100 amp to 200 amp service)
- Home Security System (monthly fees do not qualify)
- Solar panels and solar panel trackers
- Painting of interior or exterior of a house
- Building an addition, garage, deck, garden/storage shed, fence
- Re-shingling a roof
- A new driveway or resurfacing a driveway
- Exterior shutters and awnings
- Permanent swimming pools (in ground and above ground)
- Permanent hot tub
- Pool liners
- Solar heaters and heat pumps for pools (does not include solar blankets)
- Landscaping: new sod, perennial shrubs and flowers, trees, large rocks, permanent garden lighting, permanent water fountain, permanent ponds, large permanent garden ornaments.
- Retaining wall
- Associated costs such as installation, permits, professional services, equipment rentals and incidental expenses

### Ineligible expenses

- Furniture, appliances, and audio and visual electronics
- Purchasing of tools
- Cleaning carpets
- House cleaning
- Maintenance contracts (e.g. furnace cleaning, snow removal, lawn care, and pool cleaning)
- Financing costs
- Curtains and draperies

#### Note

Window coverings, such as blinds, shutters and shades, that are directly attached

to the window frame and whose removal would alter the nature of the dwelling are generally considered to be fixtures (i.e. has become part of the home) and therefore would qualify for the HRTC. Draperies and curtains are generally not considered to be fixtures and therefore will not qualify for the HRTC.

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## Examples

### Example 1

Mrs. Martin is a single, retired senior. She is considering doing some renovations in the condo she owns. But first, she would like to know if the home renovation tax credit will benefit her. She obtains quotes that include the cost of a patio door, granite countertop and the installation cost. Mrs. Martin plans to have the renovations finished by December 31, 2009:

- Patio door: \$1,500
- Granite countertop: \$2,800

Mrs. Martin will calculate the eligible home renovation expenses as follows:

Eligible expenses	Amount
Patio door	\$1,500
Countertop	\$2,800
<b>Total eligible expenses (TEE)</b>	<b>\$4,300</b>
Maximum eligible expenses (lesser of TEE or \$10,000)	\$4,300
Base amount	– \$1,000
<b>Maximum allowable home renovation expenses</b>	<b>\$3,300</b>

### Result

Since Mrs. Martin's maximum allowable home renovation expenses are \$3,300, the maximum credit she can claim is \$495 ( $\$3,300 \times 15\%$ ). However, Mrs. Martin has an annual income of \$18,500. She is entitled to the personal amount of \$10,320, the age amount of \$6,408, and the pension income amount of \$2,000, for a total of \$18,728. Because Mrs. Martin's non-refundable tax credits total more than her federal income tax, she has no federal income tax to pay. Therefore, the HRTC will not reduce her tax payable and will not result in a refund.

### Example 2

Lorne and his brother Ron jointly bought a cottage for their families in 2004, and each has a 50% interest. To take advantage of the new Home Renovation Tax Credit and the ecoENERGY Retrofit - Homes grant, they have decided to invest in some renovations to the cottage and split the cost equally. In April 2009, they insulated all the walls, the attic and the floor. They also installed vinyl siding, and bought an energy-efficient furnace. Except for the energy-efficient furnace, they did the work themselves:

- Insulation: \$6,800
- Siding: \$8,600
- Lumber: \$850
- Energy-efficient furnace (including labour): \$4,300

All of these expenses are eligible for the home renovation tax credit (HRTC).

<b>Eligible expenses</b>	<b>Amount</b>
Insulation	\$6,800
Siding	\$8,600
Lumber	\$850
Energy-efficient furnace	\$4,300
<b>Total eligible expenses</b>	<b>\$20,550</b>

Lorne and Ron are each eligible to claim their share of these total eligible expenses because the HRTC is family-based. By splitting the costs equally, they will calculate their home renovation expenses based on an amount of \$10,275 each.

Lorne's or Ron's share of eligible expenses	\$10,275
<b>Maximum eligible expenses (lesser of TEE or \$10,000)</b>	<b>\$10,000</b>
Base amount	– \$1,000
<b>Maximum allowable home renovation expenses</b>	<b>\$9,000</b>

### Result

Lorne and Ron are each eligible to claim \$9,000 for home renovation expenses (\$10,000 – \$1,000), resulting in a HRTC of \$1,350 ( $\$9,000 \times 15\%$ ) for each of them.

### Example 3

Doug and Viviane are married and plan to renovate the house they own this summer. They expect to have the following expenses during the months of June and July 2009:

- New windows: \$3,000
- Labour-installation of windows (no invoice): \$1,500
- Carpet cleaning (regular maintenance): \$200
- Buying tools: \$500
- New roof: \$3,500
- Interior painting: \$500
- New toilet and tub: \$600
- New deck: \$1,000

To save money, they will do most of the home renovations themselves. Doug's friend Bill will install the windows for \$1,500 cash, but he will not provide an invoice.

Bill will be required to report the \$1,500 on his 2009 income tax and benefit return. He may also have to pay goods and services tax/harmonized sales tax. Failure to report income or pay tax owing can result in penalties and prosecution. For more information, see [The underground economy](#) and [Will you do it for cash?](#)

The \$200 expense for carpet cleaning and the \$500 expense for tools are not eligible for the home renovation tax credit (HRTC). Labour costs are generally eligible expenses. However, because Doug and Viviane do not have an invoice for the \$1,500 window installation cost, they will not be able to include this amount. Therefore, Doug and Viviane will calculate their

eligible home renovation expenses as follows:

<b>Eligible expenses</b>	<b>Amount</b>
New windows	\$3,000
New roof	\$3,500
Interior painting	\$500
New toilet and tub	\$600
New deck	\$1,000
<b>Total eligible expenses (TEE)</b>	<b>\$8,600</b>
Maximum eligible expenses (lesser of TEE or \$10,000)	\$8,600
Base amount	– \$1,000
<b>Maximum allowable home renovation expenses</b>	<b>\$7,600</b>

### Result

Either Doug or Viviane can claim the total home renovation expenses of \$7,600, or they can split this amount between them. Their total expenses claimed cannot be more than \$7,600. As a result, their maximum HRTC is \$1,140 ( $\$7,600 \times 15\%$ ).

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