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Marmer Penner Inc. Newsletter

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2022 Federal Budget – Family Law Implications

Finance Minister Chrystia Freeland tabled the 2022 federal budget four days ago. There were no changes to personal income tax rates and the most significant corporate tax rate changes impact only large bank and insurance companies. However, there were measures announced that may impact the determination of income and another RRSP Home Buyer's Plan.

Personal Income

Who remembers reading the newspaper about 48 years ago today? That was when the Ontario government sought to slow down a runaway housing market with a new 50% land speculation tax on homes held for less than one year. The budget proposes to borrow a page from the bellbottoms decade by introducing a similar anti-house flipping measure. Homes held less than one year would not only not qualify for the principal residence exemption, the gain would be taxed as business income and not a capital gain. While this might not suffice to incentivize home-flippers to actually report their income, it might work to end their marriages. The new house-flipper tax does not apply if a house is sold after being held less than one year if the owner is separating from a spouse.

Tax Credits and Possible Impact on Section 7 Expenses and Your Tax Return

The budget introduced an increase to the Home Accessibility Tax Credit. The credit is for qualifying expenses incurred for work performed or goods acquired in respect of a qualifying renovation of an eligible dwelling of a qualifying individual, such as a disabled person. Accordingly, such expenses for the benefit of a dependent child would likely qualify as Section 7 expenses. The after-tax cost thereof has just been decreased by an extra 15% on up to $10,000 more in costs.

Certain costs relating to fertility clinics and surrogacy have been added to the list qualifying for medical tax credits.

Tax-Free First Home Savings Account ("TFFHSA")

The government promised its budget would help make purchases more affordable for first-time home buyers. The budget proposes the new TFFHSA in addition to the existing TFSA and the RRSP Home Buyer's Plan. The new account allows the contributor up to $40,000 in tax deductible contributions and a tax-free withdrawal if used to purchase a first home. Many economists point out that this will increase demand for first-time homes and further push up prices with Canadian taxpayers footing a portion of the higher cost. Sellers of first-time homes, such as smaller condominiums, should appreciate the TFFHSA.

Notwithstanding the second F in TFFHSA, you can qualify even if it is not your first home. Eligibility requires that the buyer has not owned a home in four years. So, those who are forced to rent for a few years after separation might find this quite useful.

So far, the courts have shied away from including in *Guidelines* income the tax-free or tax-deferred income earned in a year inside an RRSP and a TFSA. However, with all of these registered accounts available, the amount of sheltered income each year might soon reach the level where courts can no longer ignore them.

This newsletter is not intended to substitute for proper professional planning. It is intended to highlight areas where professional assistance may be required or enough to discuss at the next hoedown. The professionals at Marmer Penner Inc. will be pleased to assist you with any matters that arise. Please feel free to visit our website at ***www.marmerpenner.com***.