FHSA Highlights & Rules

BENEFITS OF AN FHSA

The First Home Savings Accounts (FHSA) is a personal savings account registered with the Canada Revenue Agency (CRA) that helps Canadian residents save for their first home.

FHSAs offer four important benefits:

1. Any investment income earned within the FHSA is tax-free
2. The account holder does not need to pay back the amount withdrawn
3. Account holder contributions are tax-deductible, which will reduce their taxable income when they file their tax return
4. Any qualifying withdrawals made to purchase a home will not be taxed

ACCOUNT ELIGIBILITY

To open a FHSA, an individual must be:

- A resident of Canada which refers to an individual's primary residence for income tax purposes
- Between the ages of 18 to 71 (inclusive)
  - The individual cannot open an account after December 31st of the year in which they turn 71
- Be a first-time home buyer
  - The individual or their spouse/common-law partner has not owned a home that was lived in as a principal residence at any part of the calendar year before the account is opened or the previous four calendar years

CONTRIBUTIONS

Clients can contribute up to $40,000 over their lifetime and up to $8,000 in any one year, including 2023.

- Individual contributions are tax-deductible in the year they are made
  - Unlike RRSPs, contributions made in the first 60 days of a given calendar year cannot be allocated to the previous tax year
  - If an individual contributes to their FHSA, they do not have to claim a deduction for that year, and it can be carried forward
- Once the account is opened, the contribution carry-forward amounts can only be used in the following calendar year
  - The maximum amount of unused portions that clients are allowed to carry over is $8,000
  - **For example:** If a client opens a FHSA account in the current year and contributes $5,000, they can contribute up to $11,000 to their FHSA the following calendar year
- The FHSA can last up to 15 years

WITHDRAWALS (need to fill out RC725 form and have written agreement of sale)

- Qualifying withdrawals for a home purchase are not taxable.
- To qualify, the withdrawal must meet these conditions:
  - The client must be a first-time home buyer when they make the withdrawal
  - The client must have a written agreement to buy or build a qualifying home before October 1st of the year following the year of withdrawal
  - The client must intend to occupy the home within one year after buying or building it
  - The qualifying home must be a housing unit located in Canada
- If the contributions are not redeemed for purchasing a home, they can be transferred to a client's RRSP account without affecting the RRSP contribution room.