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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.

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?

Yes, some examples are:

Eligible

- Renovating a kitchen, bathroom or basement
- New carpet or hardwood floors
- Building an addition, garage, deck, garden/storage shed, fence
- Re-shingling a roof
- A new furnace, woodstove, boiler, fireplace, water softener or water heater

Ineligible

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

- A new driveway or resurfacing a driveway
 - Painting of interior or exterior of a house
 - Window coverings directly attached to the window frame and whose removal would alter the nature of the dwelling
 - Laying new sod
 - Swimming Pools (Permanent - in ground and above ground)
 - Fixtures – lights, fans, etc.
 - Associated costs such as permits, professional services, equipment rentals and incidental expenses.
- Financing costs
 - and pool cleaning)

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?

Additional information will be posted on the CRA's Web site as it becomes available. In the meantime, please see the [Department of Finance's Budget 2009 documents](#) for details.

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1. INTRODUCTION OF A REFUNDABLE TAX CREDIT FOR RENOVATION AND HOME IMPROVEMENT

Household spending on renovation and home improvement has a significant multiplier effect on the economy. When the economy is slowing, such spending may be curbed, particularly for large-scale projects.

Accordingly, to support the home renovation industry while improving the quality of life of families, a refundable tax credit of up to \$2 500 will be granted for 2009 to homeowners who engage a qualified contractor to carry out renovation or home improvement work on the dwelling they occupy as their principal residence.

1.1 Determination of the tax credit

An individual who resides in Québec at the end of December 31 of taxation year 2009 – or, if he dies or ceases to reside in Canada during the year, on the date of his death or the date he ceases to reside in Canada – may claim, for such year, a refundable tax credit for expenses incurred in the year to carry out recognized renovation and home improvement work on an eligible dwelling located in Québec, provided such expenses are paid no later than June 30, 2010.

This tax credit will be equal to 20% of the portion of the individual's eligible expenditures for the year in excess of \$7 500, up to a tax credit of \$2 500.

The following table illustrates the tax assistance that may be provided by this new tax credit for renovation and home improvement depending on an individual's eligible expenditures.

Illustration of the tax credit depending on eligible expenditures
(2009)

Eligible expenditures for the tax credit (dollars)	Tax credit (dollars)	As a percentage (%) of eligible expenditures
7 500	–	–
10 000	500	5.00
12 500	1 000	8.00
15 000	1 500	10.00
17 500	2 000	11.43
20 000	2 500	12.50
25 000	2 500	10.00

To receive this tax credit, an individual will have to enclose, with his tax return for 2009, an information return, using the prescribed form, showing, among other things, the description of the work carried out, its cost, the registration number assigned under the Act respecting the Québec sales tax to the person who carried out the work and, if applicable, the license number issued by the Régie du bâtiment du Québec to the contractor who carried out the work.

The supporting documents (bid, invoices, etc.) must be kept for the purposes of subsequent audit by Revenu Québec. The time period for keeping the supporting documents will be the same as that under the general rule, according to which anyone who is required to keep registers must retain them, as well as any documents substantiating the information contained therein, for six years after the last year to which they apply.

Moreover, should more than one individual be entitled to the refundable tax credit for renovation and home improvement for work carried out on the same eligible dwelling, the total of the amounts shown by each of them on their tax return must not exceed the amount that would be granted if only one of them were entitled to the tax credit for the year. Failing an agreement between the individuals, the Minister of Revenue will determine the amount each of them may claim.

1.2 Eligible dwelling

For the purposes of the tax credit for renovation and home improvement, an eligible dwelling of an individual means a dwelling built before 2009, other than an excluded dwelling, of which the individual is the owner (or co-owner) at the time the renovation or home improvement expenses are incurred and that constitutes, at that time, his principal residence, provided such dwelling is an individual house,¹ a manufactured home or a mobile home permanently installed, an apartment in a condominium building or an apartment in a residential duplex or triplex, and includes any adjoining or incidental structure of such dwelling.

For this purpose, a structure consists of an ordered assembly of materials either placed on or connected to the ground, or attached to a dwelling and intended to be used as a shelter or as support, prop or backing for moving above ground level. For example, it may be a garage, shed, front steps, patio or balcony.

For greater clarity, swimming pools, hot tubs, saunas and other similar equipment are not considered structures, nor are lot improvements such as driveways, footpaths, fences, low walls and paving stones used for landscaping.

¹ A house is considered an individual house if it is detached, semi-detached or a row-house.

However, any part of a duplex or triplex provided for the common use of the occupants will be considered a structure adjoining a dwelling, if the latter is an apartment in a residential duplex or triplex, provided each of the apartments in the building is occupied, at the time the renovation or home improvement expenses are incurred, as principal residence by an individual who is its co-owner at that time.

❑ Excluded dwelling

An individual's dwelling will be considered an excluded dwelling if, before the recognized renovation or home improvement work is carried out, it is the object:

- either of a notice of expropriation or a notice of intention to expropriate;
- or a reserve for public purposes;²
- or a notice of exercise of a hypothecary right registered with the rights publicity office or any other procedure calling the individual's ownership of the dwelling into question.

❑ Clarifications regarding certain dwellings

A dwelling that is a manufactured home or a mobile home will not be considered permanently installed unless the following conditions are satisfied:

- it is set on permanent foundations;
- it is served either by a water and sewer system or by an artesian well and septic tank, or by a combination of these providing drinking water and wastewater disposal;
- it is permanently connected to an electricity distribution network.

Moreover, an apartment in a condominium building or a structure adjoining or incidental to it includes only the portion of the apartment or of the structure, as the case may be, that is a private section.³

2 Essentially, the main objective of the reserve for public purposes is to ban, from the date it is imposed, development of a building covered by plans for its subsequent expropriation. A reserve for public purposes generally prohibits any construction, improvement or addition to the building covered by the reserve, other than repairs made necessary to prevent deterioration.

3 The private sections are the various portions of the apartment or structure, as the case may be, that belong to the individual exclusively.

As a result, no common portion, whether or not its use is restricted,⁴ may, for the purposes of the tax credit, be part of an apartment in a condominium building or of a structure adjoining or incidental to it.

1.3 Renovation and home improvement work

The renovation and home improvement work recognized for the purposes of the tax credit an individual may receive consists of:

- renovation,⁵ reorganization,⁶ improvement, conversion or expansion work on the individual's eligible dwelling, including the addition of structures⁷ adjoining or incidental to the dwelling;
- the work needed to restore the lot to its condition before the work described above was carried out.

However, the carrying out of the recognized work must be entrusted to a contractor under the terms of an agreement entered into after December 31, 2008 and before January 1, 2010, hereunder called the "home renovation agreement", by the individual or by the person who, at the time the agreement is entered into, is his spouse or another individual who is the owner of the eligible dwelling. At the time such agreement is entered into, the contractor must be a person or a partnership with an establishment in Québec, other than a person who is the owner of the eligible dwelling or who is the spouse of one of the owners of the eligible dwelling.

In addition, where the carrying out of such work requires a license issued under the Building Act, the contractor who was entrusted with carrying out the work must, at the time the work is carried out, hold an appropriate license issued by the Régie du bâtiment du Québec and, if any, the security of license, unless the work is carried out regarding an eligible dwelling located in a region not served by a road for the purposes of the Act respecting roads.

4 A common section is of restricted use where it can be used only by some or one of the co-owners.

5 Essentially, refurbishment work done to improve the appearance and functional nature of a dwelling.

6 Reorganization work consists of altering the interior distribution of the rooms, openings and divisions of a dwelling without increasing the floor space or air space.

7 To that end, the expression "structure" has the same meaning as given to it for the purposes of the definition of the expression "eligible dwelling".

In addition, the work must, if necessary, be carried out in compliance with the Protection Policy for Lakeshores, Riverbanks, Littoral Zones and Floodplains.⁸

For greater clarity, work consisting exclusively of repair or maintenance work on an eligible dwelling will not be recognized for the purposes of the tax credit. Such will be the case, for instance, for work whose sole purpose is to repair an existing part of an eligible dwelling following a break or fault (for example, the sealing of a crack in the foundations).

The following table shows the major work recognized and not recognized for the purposes of the tax credit.

Renovation and home improvement work

Recognized work	Work not recognized
<ul style="list-style-type: none"> - Renovation of a kitchen, bathroom, washroom, etc. - Replacement of floor coverings - Finishing a basement, attic, garage, etc. - Division of rooms (knocking down walls or addition of partitions) - Replacement of a stairway - Expansion of a house built before 2009 (addition to the house, construction of a canopy, solarium, patio, balcony, etc.) - Construction work on structures adjoining or incidental to a house built before 2009 (garage, shed, etc.) - Replacement of the plumbing, electrical system, heating system, air exchange system, etc. - Installation of a heat pump or air conditioning system - Installation of a fireplace - Installation of an alarm system or home automation system - Insulation (including for a garage) - Replacement of the roofing, rainwater gutters and chimney - Replacement of the exterior siding - Replacement of doors and windows, shutters, etc. - Replacement of a patio, stairs, front steps, etc. - Replacement of a weeping tile, sanitary drainage, fall pipe or foundation drain 	<ul style="list-style-type: none"> - Work aimed exclusively at repairs (repairing a leak, a door, etc.) or maintenance (application of paint to walls solely to spruce up the appearance) - Interior decoration (decorator's service) - Installation of household appliances - Installation of a swimming pool, hot tub, sauna, etc. - Landscaping, other than to restore the lot to its condition prior to the recognized work - Refurbishment of access points (footpaths, driveway, etc.), unless made necessary as a result of the recognized work - Drilling a well, installation of a septic tank and septic field - Erecting or repairing a fence, low wall, etc. - Construction of outdoor play equipment

⁸ Introduced in 1987, the purpose of this policy is to provide adequate minimum protection for riverbanks, shores and flood plains by restricting the structures, work or buildings that can be carried out there. The policy is applied through the land use and zoning bylaws of municipalities, which emerge from the development plans of regional county municipalities (RCM).

1.4 Eligible expenditures

For the purposes of the calculation of the tax credit, an individual's eligible expenditures are equal to the total expenditures attributable to the carrying out of the recognized work stipulated by a home renovation agreement regarding the individual's eligible dwelling, provided these expenditures, on the one hand, are paid no later than June 30, 2010, either by the individual or his legal representative, or by a person who is the spouse of the individual during 2009 or at the time of payment of such expenditures, or by any other individual who, at the time the expenditures are incurred, is the owner of the eligible dwelling and, on the other hand, are not considered an excluded expenditure.

More specifically, the expenditures attributable to the carrying out of the recognized work stipulated by a home renovation agreement regarding the individual's eligible dwelling correspond:

- to the cost of labour supplied by the contractor to carry out the work, including, as the case may be, the goods and services tax (GST) and the Québec sales tax (QST) applicable thereto;
- the cost of movables, other than household appliances, that enter into the carrying out of the work, including, as the case may be, the GST and QST applicable thereto, provided such movables were acquired from the contractor or from a merchant with a registration number assigned under the Act respecting the Québec sales tax and that, after the work is carried out:
 - either they are incorporated with the eligible dwelling, lose their individuality and ensure the usefulness of the dwelling;⁹
 - or are permanently physically attached or joined to the eligible dwelling — without however losing their individuality and being incorporated with the dwelling — and ensure its usefulness.¹⁰

9 For example, building materials, rainwater gutters, lightning rods, doors, windows, sanitary appliances (washbasins, toilets, etc.), plumbing fixtures, electrical system, heating system, integrated heat pump, tiles, wallpaper, parquet flooring, etc.

10 For example, the water-heater, electric wall lights and heaters, ceiling lamps, ceiling fans, kitchen cabinets, non-integrated heat pump, non-glued wall-to-wall carpet, etc.

❑ Excluded expenditure

Any portion of an individual's expenditures attributable to the carrying out of recognized work stipulated by a home renovation agreement regarding the individual's eligible dwelling that was included for the purposes of calculating costs or expenditures giving rise to another tax credit¹¹ claimed by the individual or by another person in a tax return filed under Québec's legislation for taxation year 2009 or for any subsequent year shall be considered an excluded expenditure for the purposes of the refundable tax credit for renovation and home improvement.

❑ Reimbursement or other form of assistance

For the purposes of calculating the tax credit, an individual's eligible expenditures must be reduced, if applicable, by the amount of any government¹² or non-government assistance,¹³ any refund or other form of assistance, including an indemnity paid under an insurance contract, that the individual or any other person — other than a person acting as the contractor carrying out the work — received or is entitled to receive in relation to the carrying out of the recognized work stipulated by a home renovation agreement entered into regarding the individual's eligible dwelling.

However, government assistance that consists of tax relief granted under the federal tax system or the new refundable tax credit for renovation and home improvement need not be applied against an individual's eligible expenditures.

11 Like the refundable or non-refundable tax credit for medical expenses.

12 The amounts granted under the Rénovation Québec program, the rural renovation assistance program (RénoVillage) and the residential adaptation program are examples of government assistance.

13 For example, the assistance provided by Gaz Métro Limited Partnership for the replacement of a natural gas central heating appliance or a manufacturer's rebate.