First Home Savings Account (FHSA)

Overview

The First Home Savings Account (FHSA) is a registered account allowing prospective first-time home buyers to save for their first home (up to a certain limit). Client contributions are tax deductible, and funds can be withdrawn tax free when a client is purchasing their first home.

Eligibility

To Qualify for the FHSA account you must:

- Be a resident of Canada
- Be at least 18 years of age
- The maximum participation period begins when the individual opens their first FHSA account and ends on December 31st of the year in which the earliest of the following events occur:
    - The 15th anniversary of opening their first FHSA
    - The year following their first qualifying withdrawal from their FHSA
    - Turn 71 years of age
- For details or definitions of what a qualifying account opening and qualifying withdrawal, please see CRA website (Click here: First Home Savings Account (FHSA) - Canada.ca) for more information

FHSA Account features

- No one other than the client can contribute to their FHSA.

- Lifetime maximum of $40,000 made of contribution by the client and transfers from their RRSP to their FHSA.
- Annual maximum $8,000. If unused, this amount can be carried over to the following year.
- Clients are responsible for tracking their contributions as they may hold more than one FHSA.
- Contributions are tax deductible for the calendar year in which they are deposited to the FHSA. Contributions made during the first 60 days of the year cannot be deducted from the previous year's income tax.
- A general withdrawal redemption (not used for the purchase of first home) will not be considered a direct transfer and there will be tax consequences. The amount that is withdrawn from the FHSA would be a taxable withdrawal and must be reported as income in the year of the withdrawal when filing income tax.
- There is no minimum number of days that contributions or transfers to your FHSAs must stay in your FHSAs before you can use them for a qualifying withdrawal. You can withdraw amounts from your RRSP under the Home Buyers' Plan (HBP) and make a qualifying withdrawal from your FHSA for the same qualifying home, as long as you meet all of the conditions at the time of each withdrawal. For more information refer to the CRA website.
- Successor holder or beneficiary information can be completed on FHSA applications; however, be aware that not all provinces allow for a successor holder or beneficiary to be designated -- provincial legislation takes precedence.
- All provinces and territories (other than Quebec), have updated their respective legislations to allow for beneficiary designations on FHSA applications.

Making a qualifying withdrawal from a FHSA

If you meet the qualifying withdrawal conditions, you can withdraw all of the property from your FHSAs tax-free. You can do this either in a single withdrawal or a series of withdrawals.

A qualifying withdrawal is a withdrawal from your FHSA where **all** of the following conditions are met:

- Complete CRA Form RC725, Request to Make a Qualifying Withdrawal from your FHSA
- Be a first-time home buyer – See CRA website for definition / criteria
- Must have a written agreement to buy or build a qualifying home with the **acquisition or construction completion date** of the qualifying home **before October 1** of the year following the date of the withdrawal
- Must not have acquired the qualifying home more than 30 days before making the withdrawal
- Must be a resident of Canada from the time that you make your first qualifying withdrawal from one of your FHSAs until the earlier of the acquisition of the qualifying home, or the date of your death
- Must occupy or intend to occupy the qualifying home as your principal place of residence **within one year** after buying or building it
- For purposes of a qualifying withdrawal, you will be considered to be a first-time home buyer if you did not, at any time in the current calendar year before the withdrawal **(except the 30 days immediately before the withdrawal)** or at any time in the preceding four calendar years, live in a qualifying home (or what would be a qualifying home if located in Canada) as your principal place of residence that you owned or jointly owned.

FHSA excess amount

If you contributes more than that participating amount to your FHSA, you will have an excess amount. A tax of 1% per month on the highest excess FHSA amount in that month is charged by CRA, until the excess FHSA amount is eliminated.

Excess FHSA amount can be reduced or eliminated by new FHSA participation room (on January 1 of the following year), or by removing amounts from the FHSA. See the CRA website for more information on removing excess amounts from a FHSA

If you have an excess FHSA amount, you must file a return to report your excess FHSA amount and determine the amount of tax payable.