

Introduction of a refundable tax credit for access to homeownership

The purchase of a first home is often the most significant expense an individual will have in their lifetime. Access to homeownership has become more difficult than it used to be in Québec, particularly due to major expenses incurred in addition to the mortgage itself.

The costs associated with buying a house include, apart from the purchase price of the property, certain incidental expenses such as inspection fees, notary fees and moving costs. In addition, many first-time home buyers use up a large part, if not all, of their savings to make their down payment. The non-refundable first-time home buyers' tax credit was introduced to help offset all of these fees and expenses¹.

Moreover, the *Act respecting duties on transfers of immovables*² requires every municipality to collect duties on the transfer of any immovable situated within its territory. The basis of imposition for the transfer duties generally corresponds to the market value of the immovable. Transfer duties are calculated by applying progressive rates to the basis of imposition, meaning that they increase with the value of the immovable. Thus, transfer duties on the purchase of an immovable are usually an unavoidable expense associated with this transaction.

To facilitate access to home ownership by offering tax relief to persons who purchase their first principal residence or who, because of a severe disability, need to find a more accessible home for themselves or a disabled person related to them, a new refundable tax credit for access to homeownership will be introduced starting in the 2026 taxation year.

□ Qualifying homes

A qualifying home in respect of an individual will be a housing unit³ located in Québec that is acquired at a particular time after December 31, 2025, by:

- the individual or the individual's spouse, where the individual intends to inhabit the home as a principal place of residence not later than one year after the particular time and it is the individual's first housing unit;

¹ MINISTÈRE DES FINANCES DU QUÉBEC, *The Québec Economic Plan – Additional Information 2018-2019*, March 27, 2018, pp. A.15-A.19.

² CQLR, chapter D-15.1.

³ For the purposes of the tax credit, a housing unit will be defined as: an individual house that is detached, semi-detached or a row house, a manufactured home, a mobile home, a duplex, a triplex, an apartment in an immovable under divided co-ownership (condominium) and an apartment in a multiple-unit residential complex.

- the individual, where the individual intends that the home be inhabited by a specified disabled person, in respect of the individual, as a principal place of residence not later than one year after the particular time, and the purpose of the acquisition of the housing unit by the individual is to enable the specified disabled person to live in:
 - a home that is more accessible by the specified disabled person or in which the specified disabled person is more mobile or functional, or
 - an environment better suited to the specified disabled person's personal needs and care.

An individual will be considered to have acquired a qualifying home the first day on which the individual's right in the housing unit is published in the land register and the housing unit is habitable.⁴

■ **First housing unit of an individual**

A housing unit will be a first housing unit of an individual if the following conditions are met:

- the individual did not own, whether alone or jointly, a housing unit that was occupied by the individual in the period (hereinafter, "particular period") that began at the beginning of the fourth preceding calendar year that ended before the acquisition of the housing unit and that ended on the day before the acquisition of the housing unit;
- the individual's spouse did not own, whether alone or jointly, in the particular period a housing unit inhabited by the individual during their marriage.⁵

■ **Specified disabled person**

A specified disabled person, in respect of an individual, at a particular time will mean:

- a person who is the individual or who is related to the individual⁶ at the particular time; and
- a person who is eligible for the tax credit for a severe and prolonged impairment in mental or physical functions for the taxation year that includes the particular time or for the taxation year preceding the one that includes the particular time, or who would have been eligible for the tax credit if no individual had included, in the calculation of the non-refundable tax credit for medical expenses for the year, an amount in respect of remuneration for an attendant or care in a nursing home in respect of the person, or a person in respect of whom the supplement for handicapped children is paid for the month that includes the particular time.

⁴ For example, where an individual acquires ownership of land to build a house on it as part of a self-help housing project, the individual will be considered to have acquired the housing unit the first day on which the house is habitable. In addition, for the purposes of the definition of the phrase "qualifying home," the rules set out in paragraphs (c) to (e) of the second paragraph of section 752.0.10.0.8 of the *Taxation Act* apply.

⁵ As broadly defined in the tax legislation, including a civil union and, as a rule, a de facto union.

⁶ Pursuant to the tax legislation, related persons or persons related to each other are individuals connected by blood relationship, marriage or adoption.

■ Excluded individual

An excluded individual, for the purposes of the refundable tax credit for access to homeownership, will designate a person who is exempt from tax under any of sections 982 and 983 of the *Taxation Act* or any of paragraphs (a) to (d) and (f) of the first paragraph of section 96 of the *Tax Administration Act*.

□ Calculation of the tax credit

An individual, other than a trust or than an excluded individual, who is resident in Québec at the end of a taxation year—or, if the individual dies in the year, on the date of the individual's death—will be entitled to a refundable tax credit for access to homeownership in respect of the transfer duties imposed by a municipality on the transfer of a qualifying home in respect of the individual is acquired in the taxation year.

The amount of the refundable tax credit for access to homeownership will provide a refund of up to \$5 875 in transfer duties paid to a municipality on the transfer of an immovable considered to be a qualifying home. The tax credit will be calculated by adding the following amounts:

- 100% of the first \$5 000 paid in transfer duties;
- 25% on the \$3 500 paid in transfer duties in excess of the first \$5 000, if applicable (for additional assistance of up to \$875).

In determining the amount of the refundable tax credit, a reduction will apply when the basis of imposition (which generally corresponds to the market value of the immovable at the time of acquisition) of the transfer duties exceeds \$750 000. The refundable tax credit will therefore be reduced by an amount corresponding to 2.35% of the excess of the basis of imposition of the transfer duties on \$750 000, so that the tax credit will have a value of nil as soon as the basis of imposition is at least 1 million dollars.

In addition, to be eligible for the tax credit, the individual or their spouse must have paid the transfer duties.

If, for a taxation year, more than one individual may claim the refundable tax credit for access to homeownership in respect of a qualifying home, the total of the amounts that each of these individuals may claim may not exceed the amount that would be allowed if only one of them were eligible the tax credit for the year.

Failing agreement between these individuals, the Minister of Revenue will determine the amount that each of them may claim for the year.

For greater clarity, the refundable tax credit for access to homeownership will not be granted in respect of the special duties provided for in the *Act respecting duties on transfers of immovables*, nor in respect of the special duties⁷ provided for in the *Taxation Act*.

⁷ See note 2.

■ Advance payment

On application by an individual who believes that, for a taxation year subsequent to the 2025 taxation year, they are entitled to the refundable tax credit for access to homeownership, the Minister may pay in advance part of the tax credit if they are convinced that the following conditions are met:

- the individual is resident in Québec at the time the application is made;
- the individual or their spouse paid the transfer duties in respect of the immovable;
- the basis of imposition of the transfer duties does not exceed 1 million dollars;
- the amount of the tax credit to which the individual believes they are entitled for the year exceeds \$1 000;
- the individual agrees that the advance payments be made by direct deposit in a bank account held at a financial institution whose name appears in Part I of Appendix I to Rule D4 – Institution Numbers and Clearing Agency/Representative Arrangements of the *Automated Clearing Settlement System Rules Manual* of the Canadian Payments Association.

The application for advance payment of the tax credit must be made on a prescribed form and include all documents and information deemed necessary by the Minister for his assessment.

For a particular taxation year, the application must be made no later than December 1 of the year.

Where, at the time of the application, more than one individual believes they are entitled to the tax credit for the year in respect of the purchase of an immovable considered a qualifying home for the purposes of the tax credit, only one of them may submit an application for advance payment to the Minister.

□ Application in the event of bankruptcy

Under the tax legislation, when an individual becomes bankrupt during a calendar year, the individual is deemed to have two taxation years in that calendar year. The first tax year runs from January 1 to the day before the date of bankruptcy (pre-bankruptcy taxation year), and the second from the day of bankruptcy to December 31 (post-bankruptcy taxation year).

Moreover, tax assistance paid in respect of the refundable tax credit for access to homeownership will be deemed to be an amount paid in advance by an individual to the Minister of Revenue on their tax payable for the taxation year that corresponds to the end of the calendar year in which the qualifying home was acquired.

Therefore, where an individual becomes bankrupt during a calendar year, the amount of the refundable tax credit will be considered to be tax deemed paid in advance on the tax payable for the taxation year beginning on the date of the individual's bankruptcy (post-bankruptcy taxation year) that occurred in the calendar year.

To obtain information on the matter dealt with in this information bulletin, contact the Secteur du droit fiscal, de l'optimisation des revenus et des politiques locales et autochtones, at secteurdroitfiscaletdelafiscalite@finances.gouv.qc.ca.

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