

Government Incentives for First-Time Home Buyers

First-Time Home Buyers' Program (Property Transfer Tax Exemption)

One of the biggest costs when buying a home in BC is the **Property Transfer Tax (PTT)**, which applies to most real estate purchases. However, first-time home buyers may qualify for a **full or partial exemption**.

Eligibility Criteria:

- You must be a **Canadian citizen or permanent resident**
 - You must have never owned a principal residence anywhere in the world
 - The property must be in **BC and be your primary residence**
 - The fair market value of the home must be **\$500,000 or less** for a full exemption

First Home Savings Account (FHSA)

Introduced in 2023, the **FHSA** allows first-time buyers to save for a home with **tax-free contributions and withdrawals**.

Key Features:

- You can contribute up to **\$8,000 per year**, with a lifetime limit of **\$40,000**
 - Contributions are **tax-deductible**, similar to an RRSP
 - Withdrawals for a qualifying home purchase are **tax-free**, similar to a TFSA

Home Buyers' Plan (HBP)

The **Home Buyers' Plan (HBP)** lets you withdraw up to **\$40,000 from your RRSPs tax-free** to use as a down payment.

Requirements:

- You must be a first-time home buyer
 - The funds must be repaid into your RRSP within **15 years**
 - The home must be your **primary residence**

GST New Housing Rebate

If you're purchasing a **newly built home, a pre-construction home, or substantially renovating a home**, you may qualify for a **rebate on the GST** paid.

Rebate Details:

- Full rebate for homes priced at **\$350,000 or less**
 - Partial rebate for homes priced between **\$350,000 and \$500,000**

If you are claiming a rebate, keep in mind that you will be required to pay the GST in full on completion.

Regulations to Keep in Mind as a First-Time Home Buyer in BC

Mortgage Stress Test

All home buyers in Canada, including first-time buyers, must pass the **mortgage stress test**. This ensures you can afford your mortgage payments if interest rates rise.

How It Works:

- Lenders qualify you based on the **higher of** the **Bank of Canada's benchmark rate** or your mortgage rate plus 2%.

- This affects how much you can borrow, so it's important to check your affordability before house hunting.

Recently insured mortgage holders are now exempt from the stress test when switching lenders on renewals.

Minimum Down Payment Requirements

In Canada, the minimum down payment depends on the home's purchase price:

- **Up to \$500,000:** Minimum **5% down payment**
- **\$500,000 - \$1,500,000** 5% on the first \$500,000, 10% on the remaining amount
- **\$1,500,000 or more:** Minimum **20% down payment** (no mortgage insurance available)

If your down payment is **less than 20%**, you will need **mortgage default insurance** through CMHC, Sagen, or Canada Guaranty.

BC Speculation and Vacancy Tax

If you're purchasing a property in BC, be aware of the **Speculation and Vacancy Tax**.

- Applies to **vacant** or **underutilized** homes
- **BC residents** who use the home as their primary residence are generally **exempt**
- **Non-Canadian buyers** or those leaving homes vacant may have to pay up to **2% of the home's assessed value** per year

Foreign Buyer Ban & Additional Taxes

The **federal government has extended the ban on non-Canadians buying residential properties in Canada until 2027**, with some exceptions.

- Foreign buyers also face a **20% property transfer tax surcharge** in BC's **metro areas** (e.g., Vancouver, Victoria, Kelowna).

As a first-time home buyer in BC in 2025, you have access to several updated incentives that can reduce the financial burden of buying a home. However, it's essential to be aware of the rules and requirements to avoid surprises. Consider speaking with a **mortgage broker or real estate professional** to help you navigate the process and maximize your benefits.

If you're planning to buy your first home, start preparing early by saving for a down payment, understanding your mortgage eligibility, and exploring all available incentives. Homeownership in BC may be challenging, but with the right knowledge and planning, it can be an achievable goal!