

Tax-Free First Home Savings Accounts

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Creating Tax-Free First Home Savings Accounts (FHSA), a registered account intended to help individuals save for their first home. Contributions to an FHSA would be tax deductible. Income earned in a FHSA would not be subject to tax, nor would withdrawals from an FHSA made to purchase a first home.ⁱ

5-Year Cost

\$ millions	2022-23	2023-24	2024-25	2025-26	2026-27	Total
Total cost	-	731	771	813	877	3,192

Detailed 5-Year Cost

Personal Income Tax (PIT) Revenue Impacts	2022-23	2023-24	2024-25	2025-26	2026-27	Total
PIT revenue loss due to increased FHSA contributions: funds diverted from RRSPs to FHSAs	-	311	321	332	343	1,307
PIT revenue gain due to decreased RRSP contributions: funds diverted from RRSPs to FHSAs	-	-311	-321	-332	-343	-1,307
PIT revenue loss due to forgone Home-Buyer's Plan repayments and defaults	-	-	-	-	21	21
PIT revenue loss due to increased FHSA contributions: funds diverted from TFSAs and other investments	-	586	621	658	696	2,561
PIT revenue loss due to increased total RRSP and FHSA contribution room	-	145	150	155	160	611
Total cost	-	731	771	813	877	3,192

Notes

- Estimates are presented on an accruals basis as would appear in the budget and public accounts.
- Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.
- PIT revenue losses due to forgone Home Buyer's Plan repayments and defaults occur between 2 and 17 years following the associated home purchase. These revenue losses are not recognized until they occur.

Estimation and Projection Method

All Personal Income Tax revenue impacts were calculated by multiplying an expected change in tax deductible savings account contributions by estimated marginal income tax rates.

- **Substitution of FHSAs for RRSPs:** This reduction in RRSP contributions and increase in FHSA contributions was estimated based on annual Home Buyer's Plan withdrawals.
- **Forgone Home Buyer's Plan (HBP) Repayments and Defaults:** This was estimated based on annual HBP withdrawals, allocated across years 2 to 17 following the home purchase.
- **Substitution of FHSAs for Other Investments:** The increase in tax-deductible contributions and forgone interest was estimated based on the number and distribution of down-payments by first-time homebuyers, up to the \$40,000 FHSA contribution limit and deducting HBP withdrawals.
- **Use of additional contribution room by future homebuyers:** This increase in total tax-deductible savings account contributions was estimated based on the number of individuals making contributions above, at, or near to their RRSP contribution limit.

Cost projections are adjusted for expected inflation and population growth.

Sources of Uncertainty

The main sources of uncertainty are the number of first-time home buyers, their deposits for their home purchases, and the extent to which they will use FHSA to save the deposit for that first-home purchase. There is also uncertainty regarding the extent to which additional savings account contribution room will be used.

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Data Sources

Variable

Home Buyer's Plan Withdrawals
Number of First-Time Home Buyer Families
Earners in First-Time Home Buyer Families
Distribution of First Home Deposits

RRSP Near-Maximum Contributors
Inflation and Population Growth

Source

Statistics Canada, Longitudinal Administrative Dataset
Canada Revenue Agency, T1 Final Statistics (2014-2017)
Statistics Canada, Canadian Housing Survey (2018)
Statistics Canada, Survey of Financial Security (2016, 2019)
CMHC, Loan Insurance Microdata (2011 to 2021)
Statistics Canada, Social Policy Simulation Database
PBO Economic Model

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ⁱ For further details, see [Budget 2022, supplementary information on Personal Income Tax Measures](#).