Your Guide to Understanding the FHSA

FIRST HOME SAVINGS ACCOUNT

2024/2025

This booklet has been created by Central 1 Credit Union to provide basic information regarding the First Home Savings Account (FHSA) as a courtesy of your financial institution and is based on legislation in effect as of April 2024.

All examples provided are hypothetical and for illustrative purposes only. Please contact your investment representative at your branch to obtain personalized advice on your financial plan.

Further information related to the FHSA and other registered products may be obtained by phone at **1-800-959-8281** or through the Government of Canada website **https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/first-home-savings-account.html**

Table of Contents

What is an FHSA?

Introduced in the 2022 federal budget, the Tax-Free First Home Savings Account (FHSA) is an investment arrangement available to Canadian residents aged 18 or older, that allows first-time home buyers a tax advantage option to save for a down payment. Contributions to an FHSA are deductible from income, like an RRSP, while income and gains are tax-free, like a TFSA.

The owner of the plan, known as the Holder, makes tax-deductible contributions to the FHSA and must meet the qualifying conditions to participate in the arrangement and have a valid Social Insurance Number (SIN) when the account is opened.

Who Can Open an FHSA?

Eligibility requirements

An FHSA is available to individuals who meet all the following requirements:

- Is a resident of Canada at the time of purchase;
- Is between the ages of 18 to 71;
- Has a valid SIN, and
- Is a first-time home buyer

If you live in a province or territory where the age of majority is 19 you may not be able to open an FHSA unless special provisions apply, such as for some credit unions in B.C. Refer to the chart below:

Province	Age of Majority
Alberta	18
British Columbia	19
Manitoba	18
New Brunswick	19
Newfoundland and Labrador	19
North West Territories	19

Province	Age of Majority
Nova Scotia	19
Nunavut	19
Ontario	18
Prince Edward Island	18
Quebec	18
Saskatchewan	18
Yukon Territories	19

Consult your financial institution regarding age requirements for an FHSA.

You, as the buyer, are considered a first-time home buyer if you have not owned a home, in which you resided, at any time during the year the account is opened or at any time in the preceding four calendar years. This includes a principal residence owned, or jointly owned, by you and/or your spouse, or common-law partner.

As Holder and owner of the FHSA, you can have as many accounts as you wish as long as you do not exceed the annual and lifetime limits as provided by the Canada Revenue Agency (CRA).

It is important that you keep track of your FHSA contributions to avoid any over-contribution penalties imposed by the CRA.

An FHSA is only available to individuals and not available for purchase by a corporation or trust.

The eligibility criteria must be met by the Holder in order for the FHSA to be opened, which includes a principal residence requirement that is not limited to a residence in Canada.

Features and Benefits

Compound growth and tax-sheltered savings

One of the primary benefits of an FHSA is the tax-deductible contributions and the advantages of tax-free growth. By contributing early in your higher-income earning years, your investment will magnify returns over time through the effects of compounding.

Additionally, an FHSA allows you to invest money in the account without being taxed on the income and growth of the assets while held in the FHSA. This tax-free and compounding growth results in faster savings compared to investing in a non-registered account.

Participation period

An FHSA can only be open for 15 years and must be closed by the end of the year when you reach age 71. Additionally, the FHSA must be closed within one year of making a qualifying withdrawal to purchase your first home. **You cannot open another FHSA after either one of these events occurs.**

Any amounts in the FHSA that are not used to purchase a qualifying home can be directly transferred to your RRSP or RRIF on a tax-free basis without impacting your RRSP deduction limit. Otherwise, the amounts can be withdrawn on a taxable basis.

FHSA contribution rules

The FHSA contribution limit is the maximum amount that can be contributed to an FHSA.

Qualifying individuals can contribute $8,000 per year to their FHSA. The unused portion of your first year's contribution limit can be transferred to a subsequent year, but there is a maximum lifetime contribution limit of $40,000.

EXAMPLE

Tracy wants to save for her first home, so she speaks with her advisor and decides to open an FHSA in 2024. Tracy contributes $2,000. Since she did not use the full $8,000 annual limit, she is able to carry forward $6,000 to the following tax year. In 2025, Tracy's allowable contribution limit is $14,000, her annual $8,000 limit plus $6,000 carry forward amount. Tracy can contribute any amount up to her annual limit and carry forward amount without triggering an over contribution penalty.

Alternatively, if Tracy did not open the FHSA in 2024, she would not have generated any carry forward amount, and her 2025 contribution limit would be set at $8,000.

Individuals can obtain the most up-to-date information about their FHSA contribution limit by accessing "My Account" or "My CRA" on the CRA website, or by calling the CRA's Tax Information Phone Service at 1.800.267.6999 (TIPS).

Savings for your first home

The FHSA is a unique savings vehicle that is designed to help you save towards a down payment on your first home, unlike a TFSA which is used to save for a variety of unplanned expenses and big-ticket items, or an RRSP that is used to save for your retirement. The savings in your FHSA can only be used towards your first home purchase.

When used for this purpose, all your savings grow tax-free, and the amount withdrawn is not included in your taxable income.

If you don't use the money for your first home, it can be transferred tax-free to your RRSP or RRIF or paid out and counted against your taxable income.

Contributions and Withdrawals

Contributions

Only the account Holder can contribute to an FHSA. However, you can gift your spouse or common-law partner with money to make a contribution to their own FHSA without triggering income attribution rules.

The maximum FHSA contribution dollar limit for 2023 and subsequent years is $8,000 subject to a lifetime contribution limit of $40,000. The annual limit is not income tested and is not based on your earned income like an RRSP.

You can carry forward up to $8,000 in unused contributions for use in a subsequent year, subject to the lifetime limit. Your carry forward room begins once the FHSA is opened.

As with the RRSP, FHSA contributions are tax-deductible. For every dollar you place in your FHSA, you can make a deduction against your income in the year of deposit, or you can carry forward your un-deducted contributions to a later year.

In-kind contributions

You can direct an in-kind transfer or a contribution of non-registered securities to their FHSA provided the property being contributed is accepted by the financial institution and is a qualified investment under the *Income Tax Act*.

REMINDER

In-kind contributions are considered a deemed disposition of capital property for tax purposes and may trigger a capital gain if the Fair Market Value (FMV) of the property exceeds its Adjusted Cost Base (ACB) at the time the transaction occurs. If the property is transferred at a loss, the capital loss is not deductible, and the property will be transferred at its FMV.

Unused contribution

When you first open an FHSA and contribute less than the $8,000 annual amount, the difference is referred to as an "unused contribution".

Your unused contribution amount can be carried forward to the following year when you make another contribution, effectively increasing your contribution limit for that year. For example. If you open an FHSA in 2024 and do not make a contribution, your contribution limit for 2025 would be $16,000 ($8,000 unused amount plus $8,000 annual limit).

Unused contributions are restricted to a maximum of $8,000 and are subject to the lifetime limit of $40,000.

Over-contributions

As the Holder, you are responsible for ensuring your maximum contribution room limit is not exceeded.

Contributions over the allowable limit will result in a penalty tax on the excess amount at a rate of 1% per month for each month the excess contribution remains in the FHSA.

A withdrawal to correct over contributions does not increase unused contribution room.

It is important to track your FHSA contributions, particularly if you have multiple FHSAs, as the annual contribution limit is per person, not per account.

Qualifying withdrawals

As the Holder, you will not be taxed on a qualifying withdrawal. However, certain condition must be met for you to receive the paid out amount tax-free. The conditions are similar to the home-buyers plan from an RRSP and must be made using the prescribed form provided by the CRA, and includes meeting all the following terms:

- First-time home buyer
- Resident of Canada
- The withdrawal is made within 30 days of moving into the home
- Has written agreement to buy or build a qualifying home before October 1st of the year following the withdrawal
- The qualifying home is in Canada

When these conditions are met, you may withdraw funds at any time, unless restricted by investment terms and conditions (e.g., 3-year fixed deposit).

Also, a qualifying withdrawal does not generate taxable income and does not affect any income tested benefits or credits of the Holder.

If you don't use the full amount of your FHSA towards a qualifying withdrawal, amounts remaining can be transferred, tax-free, to an RRSP or RRIF in your name. However, the transfer must take place by the end of the year following the qualifying withdrawal.

EXAMPLE

John's FHSA balance is $30,000. He makes a qualifying withdrawal in 2030 of $20,000 to purchase his first home. He can transfer the unused amount of $10,000 to his RRSP tax-free as long as the transfer is made on or before December 31, 2031.

Any unused amounts transferred to an RRSP or RRIF will be subject to the rules of those accounts.

Qualifying FHSA withdrawals do not impact eligibility for income-tested benefits and credits (e.g., OAS, GIS, Age Credit, HST/GST, EI, Canada Child Benefit, or the Canada Workers Benefit (CWB), formerly known as the Working Income Tax Benefit).

Combining FHSA and Home Buyers's Plan

You can maximize your down payment by using the FHSA together with your RRSP's Home Buyer's Plan (HBP) for the same qualifying home. This incentive provides up to $100,000 to use towards your first home purchase. If two individuals are eligible for both the FHSA and HBP, this would provide up to $200,000.

The 2024 federal budget increased the maximum HBP amount from $35,000 to $60,000 for withdrawals made after April 16, 2024. All HBP withdrawals are subject to terms and conditions of the RRSP.

EXAMPLE

Jared and Emma both have saved the $40,000 maximum in their FHSA towards their first home purchase. They both have sufficient funds in their RRSPs to take advantage of the $60,000 HBP withdrawal. This provides them with a total of $200,000 towards their down payment. Only the HBP portion has a pay back requirement over a 15-year period.

Non-Resident Holders

For tax purposes, the CRA may consider you a non-resident of Canada if you meet any of the following criteria:

- Normally, customarily or routinely live in another country
- Live outside Canada throughout the tax year
- Stay in Canada for less than 183 days in the tax year
- Have no significant residential ties to Canada, such as a home, a spouse or common-law partner, or dependents

If you own an FHSA and subsequently become a non-resident of Canada, the FHSA may remain open and retain its tax-free status, and you may still make contributions; however, you cannot make a qualifying withdrawal. **Withdrawals by a non-resident would be subject to withholding tax.**

Transfers

An FHSA is transferable to:

- Another FHSA, RRSP or RRIF owned by the Holder, unless restricted by investment terms and conditions (e.g., 3-year fixed deposit);
- The FHSA, RRSP or RRIF of a spouse/ common-law partner named as the successor holder on the death of the Holder; or

- The FHSA, RRSP or RRIF of a former spouse/ common-law partner on a relationship breakdown.

In all the above cases, a transfer will not affect the contribution room of the account holder receiving the funds. You can instruct a financial institution to transfer from one FHSA to another FHSA in your name provided the proceeds are transferred directly between the FHSAs. If funds are paid out first it would be considered a withdrawal.

When funds are withdrawn, FHSA contribution room is not reinstated, so withdrawing funds to re-contribute to a new FHSA in your name could result in an over contribution penalty situation.

Transfers from your FHSA to an RRSP or RRIF in your name can take place on a tax-deferred basis and does not have any effect on your RRSP contribution room.

Transfers between FHSAs can only occur where the Holder or successor meets the eligibility requirements.

You may also transfer directly between your RRSP and FHSA on a tax-free basis. However, the transfer would be subject to your annual and lifetime FHSA limits. The amount transferred from your RRSP to FHSA cannot be deducted from your income and would not reinstate any RRSP contribution room.

EXAMPLE

In July 2023, Kuldip wanted to start growing his FHSA, so he instructed his credit union to transfer $8,000 from his RRSP to his FHSA. He can transfer this amount as it is within the annual maximum contribution limit of $8,000. Kuldip cannot deduct this amount from income as it was a tax-free transfer from his RRSP. The amount of the transfer will not be added back to his RRSP contribution room.

Relationship breakdown

In the event of a breakdown of your marriage or common-law partnership an agreed upon sum can be transferred from your FHSA to your ex-spouse's or common-law partner's FHSA, RRSP or RRIF without affecting the contribution room of either party.

To transfer the FHSA due to a breakdown in your relationship, you must meet the following conditions:

- You and your spouse, or common-law partner, are living separate and apart at the time of transfer; and
- The amount of the transfer arises from a decree, order, or judgment of a court, or under a written separation agreement.

Also, the transfer must be made directly between the FHSA, RRSP or RRIF.

No attribution rules

Income tax attribution rules come into effect when you gift property to your spouse or common-law partner. In this event the income earned on the transferred property would be attributed to you and included in your taxable income.

However, the FHSA provides an exception to these attribution rules by allowing you to give funds to your spouse or common-law partner to deposit into their FHSA (within their available limit) without the income being attributed back to you.

Canada Revenue Agency

FHSA contribution room

The FHSA contribution room is the maximum amount that can be contributed to an FHSA.

Starting April 1, 2023, qualifying individuals can open an FHSA and make an annual contribution of up to $8,000. The annual contribution room is set at $8,000 per year subject to a lifetime limit of $40,000.

Contributions can be deducted from income for the year of the deposit. Unlike the RRSP, there are no provisions to assign contributions made within the first 60 days of the year to the previous tax year. However, contributions that have not been deducted can be carried forward and deducted against income in a subsequent tax year.

Unused contributions can be carried forward to the next year you make a contribution; however, the maximum amount that can be carried forward is set at $8,000 and subject to the lifetime limit of $40,000.

EXAMPLE

Eric makes a deposit of $1,500 to his FHSA on February 10th, 2024. This amount can only be used as a deduction against his income in the 2024 (or subsequent) tax year and can not be used against his 2023 income. There is no carry-back provision for contributions made in the first 60 days as there is with an RRSP.

You can obtain the most up-to-date information about your FHSA contribution room by accessing "My Account" or "My CRA" on the CRA website or by calling the CRA's Tax Information Phone Service at 1.800.267.6999 (TIPS).

Surname, SIN and date of birth must match CRA records

The CRA will register an FHSA when your surname, SIN and date of birth match their records. The FHSA cannot be registered by the CRA if any of the required data elements do not match the information in their files.

EXAMPLE

Your date of birth is December 22, 2001. However, when your first tax return was submitted, your date of birth was recorded as 2010. Although your birthdate is recorded correctly on your FHSA application, it does not match the CRA records. To correct this error, you will need to contact the CRA and provide them with supporting documentation to confirm your date of birth.

Death of an FHSA Holder

An FHSA can be used as an effective estate management tool by allowing you to designate a successor or beneficiary on the account. By designating a named successor or beneficiary on your FHSA, the account assets will bypass your estate resulting in the assets being excluded from probate.

Where permitted by law, you may designate any individual to receive the proceeds of the FHSA upon your death. The following appointments apply in all jurisdictions except for Quebec.

Spouse as successor holder

You may appoint your spouse or common-law partner as the qualifying individual to take over your FHSA in the event of your death. This appointment can be made on the FHSA application or in your will.

If named as the successor holder, your surviving spouse could become the new Holder of the FHSA immediately upon your death. In order to become the successor, your spouse must meet the qualifying individual eligibility criteria for the FHSA to maintain its tax-exempt status. Inheriting the FHSA as successor would not impact your spouse's FHSA contribution limits.

The FHSA's account closure deadlines would be the same as those for the successor.

After taking over ownership of the FHSA, the successor can manage the account the same way as the original owner, such as making qualifying withdrawals and new contributions (subject to their own unused FHSA contribution room).

If the successor does not meet the FHSA eligibility requirements, they could transfer the inherited FHSA to an RRSP or RRIF in their name. Otherwise, the amount must be taken as a non-qualifying withdrawal. Non-qualifying withdrawals will be taxed at source and the full amount will be reported on a tax information slip (T4) and included in the recipient's taxable income for the year it was paid out.

Alternatively, a joint election could be made by the legal representative and the surviving spouse or common-law partner to treat the FHSA proceeds paid to the estate as having been transferred to an FHSA, RRSP, or RRIF in their name. Either of these elections result in a deemed tax-free transfer from the FHSA to the survivors registered account.

A joint election to pay the FHSA proceeds to the surviving spouse or common-law partner in cash, shifts the tax liability from the estate to the survivor.

Designated beneficiaries

Where permitted by law, the Holder of an FHSA may designate an individual other than their spouse/common-law partner, as beneficiary or may choose not to name any beneficiary at all.

When an FHSA Holder dies, and there is no successor holder appointed, the FHSA ceases to exist and no longer benefits from a tax-free status. The full value of the FHSA is considered taxable income to the receiving beneficiary or to the deceased Holder's estate and is subject to withholding tax at the time of payment.

Consult with your advisor regarding beneficiary designations in your jurisdiction.

EXAMPLE

Jared's father, Derek, passed away November 9, 2025. The value of his FHSA was $24,000. Derek resided in a jurisdiction that allowed a beneficiary designation on an FHSA. Jared is named the sole beneficiary on the FHSA. The FHSA is settled to Jared on March 15, 2026, in the amount of $24,300. As the entire value of the FHSA is taxable to the beneficiary, Jared received $17,010 ($24,300 less 30% tax) and must include the full amount as taxable income on his 2026 income tax return.

Note withholding taxes for an FHSA are the same as for an RRSP:

Amount of payment Year	Withhold tax rate (all provinces except QC)
Up to $5000	10%
$5,001 to $15,000	20%
More than $15,000	30%

Donation to a qualified donee

Where you name a Canadian registered charity as a beneficiary of the FHSA, the transfer of funds to the registered charity must occur within the 36-month period following your death. If the transfer occurs during this 36-month period, the transfer is deemed to be a donation or gift made immediately before your death. Once the donation has been completed, the estate representative can claim the charitable donation tax credit.

Examples of a qualified donee:

- A registered charity
- A registered Canadian amateur athletic association
- A registered journalism organization
- A registered Canadian municipality

You should seek independent tax-advice prior to designating a charitable organization as a beneficiary of their FHSA.

All beneficiary designations are subject to legislation and acceptance of the financial institution.

Borrowing Money to Purchase an FHSA

Unlike money borrowed to purchase non-registered investments, interest charged on money borrowed to invest in an FHSA cannot be deducted for tax purposes.

Use of FHSA as security for a loan

A trust governed by an FHSA could be pledged, or assigned as security for a loan, or other obligations. However, in doing so, the fair market value of the property used as security must be included in computing your taxable income in the year. A tax recovery credit is available to you in the year the FHSA ceases to be used as security for a loan.

When using the FHSA as security for a loan, it is important to seek independent tax advice. Consult with your financial institution if this option is available.

Tax Payable & Penalties

Excess FHSA amount

Over-contributions above the annual contribution limit are subject to a penalty tax of 1% per month on the excess amount. In addition, the CRA may impose additional penalties on any income earned from the excess contribution.

The 1% per month penalty will continue to apply for each month that the excess amount remains in the FHSA and it will continue to apply until the earlier of:

- **The entire excess amount is withdrawn; or**
- **The entire excess amount is absorbed by the addition of unused contribution room in a later year.**

You cannot claim a deduction for an over-contributed amount. However, the excess amount can be deducted from income for a given year in the tax year when it ceases to be an over-contribution.

If you withdraw part of your excess contribution, the amount of the 1% monthly penalty is reduced by the amount you withdraw.

EXAMPLE

Alan contributes $12,000 on December 15, 2024, and does not withdraw it. Alan's contribution exceeds the annual limit by $4,000 resulting in a penalty tax of $40 (1% x $4,000 x 1 month). The $4,000 excess amount would cease to be an over-contribution on January 1, 2025, when the annual $8,000 limit becomes available.

Non-resident contribution

A non-resident can continue to make contributions to their FHSA after emigrating from Canada, however they cannot make a qualifying withdrawal. Withdrawals by a non-resident of Canada are subject to withholding tax.

You must be a resident of Canada to make a qualifying withdrawal including up to the time the home is bought or built.

Non-qualified or prohibited investments

An FHSA is subject to severe tax consequences in any of the following scenarios:

- The FHSA holds a non-qualified investment;
- The FHSA carries on a business (such as day trading); or
- The FHSA invests in a prohibited investment.

If any of the above situations occur, the FHSA will be taxed on any income earned and capital gains derived from the non-qualified investment or business are subject to trust-reporting requirements to the CRA.

You are jointly and severally, or solely, liable with the trust issuer to pay any tax liability resulting from carrying on a business. The issuer's liability is limited to the property held in the FHSA.

Prohibited investments are subject to a 50% tax on the value of the property at the time it was purchased or became a prohibited investment, and subject to a 100% advantage tax on any income or gains derived from the property while it remains in the FHSA. **These measures were implemented by the CRA to discourage abusive tax planning arrangements within an FHSA**.

Prohibited transactions

Swap transactions are prohibited in an FHSA. These rules prevent you from transferring investments (such as cash and securities) between the FHSA and your non-registered account(s) regardless of whether the transfer was done at fair market value.

Any swap transactions that occur in the FHSA will be subject to a 100% advantage tax based on the value of the assets being swapped.

Account advantages and benefits

The Income Tax Act specifies that an FHSA issuer cannot provide you with any benefits or advantages that are in any way conditional on the existence of the FHSA such as merchandise, trips or interest-free loans. These types of incentives are taxable to you.

The CRA has granted exceptions to certain benefits, which will not be taxed to you provided that the benefit is credited directly to the FHSA and not to you.

If you are provided with an advantage or certain benefit or debt that is conditional on the existence of your FHSA, the account may be subject to tax:

- In the case of a benefit, the fair market value of the benefit; and
- In the case of a debt or loan, the amount of the debt or loan.

FHSA vs. Non-Registered Investment Account

One of the main benefits of holding assets within an FHSA compared to a non-registered investment is the tax-deferred growth on income and gains while held with the FHSA. This benefit results in your FHSA savings growing faster than it would in a traditional non-registered investment account as demonstrated below.

Initial Contribution	Additional Contributions	Total Growth
$8,000	$32,000	$17,132

*Balance after ten years: $57,132 vs $51,626 in a non-registered investment account. Balance after 15 years: $74,669 vs $69,340 respectively.

Assumptions:

The above results are based on an individual with a marginal tax rate of 28.2% making an initial contribution of $8,000 and annual contributions of $3,200 at the beginning of the year for 10 years and earning an annual rate of return of $5.5%. And, leaving the balance to grow for 5 years after the $40,000 lifetime contribution limit is reached.

The benefits of the FHSA over a non-registered investment account increases as your marginal tax rate increases.

This example is hypothetical and for illustrative purposes only and is not intended as a replacement for investment advice.

FHSA, TFSA and RRSP comparison

The FHSA, TFSA and the RRSP both offer tax efficient savings, but there are key differences, as noted below:

Features	FHSA	TFSA	RRSP
Purpose	Save for down payment	General savings	Save for retirement
Tax deductible deposits	✓	✗	✓
First 60-day contribution provision	✗	✗	✓
Residency Requirements (Resident of Canada when the account is opened)	✓	✓	✗
Contribution limit based on earned income	✗	✗	✓
Spousal contributions allowed	✗	✗	✓
Qualifying withdrawals impact federal gov't benefits	✗	✗	✓
Maximum age limit (71)	✓	✗	✓
Tax free growth	✓	✓	✓
Tax-free withdrawals	✓	✓	✗
Pay back requirements	✗	✗	✓

It is important for you to keep track of your FHSA contributions, especially if you have multiple FHSAs (as the annual contribution limit is per person, not per account).

Features	FHSA	TFSA	RRSP
Transfers	Can transfer to an FHSA, RRSP or RRIF	Can transfer to a TFSA	Can transfer to an RRSP, RRIF or FHSA (transfers to an FHSA are subject to annual and lifetime limits.)
Estate preservation (beneficiary designations are subject to local legislation)	Can name a successor or beneficiary. Successor can transfer to an FHSA, RRSP or RRIF	Can name a successor or beneficiary	Can name a beneficiary. A spouse beneficiary can transfer to an RRSP or RRIF.
Tax treatment on death	Cash settlements are fully taxable to the beneficiary. The holder is not taxed on the date of death amount.	Income earned after date of death is taxable to the beneficiary. The holder is not taxed on the date of death amount.	Income earned after date of death is taxable to the beneficiary. There is no tax where the spouse transfers to an RRSP or RRIF. The holder is taxed on the date of death amount if not transferred to the spouse's registered account.
Maximum Contribution (2024) *All annual limits are available from the CRA.*	Annual limit	Annual limit	Lessor of $31,560 or 18% of previous year's earned income.

How Do You Get Started?

Please visit your local credit union branch to discuss how an FHSA can enhance your financial plan. Before making any investment decisions, it is advised that you ask your credit union advisor about deposit insurance protection.