



New taxes, daycare and help for home buyers: How Liberal election promises will affect your finances

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The same old Liberals will form the next government, but with a new agenda of measures that affects your personal finances if you're a home buyer, a parent, a senior or a high earner, particularly one who owns bank stocks.

Affordability was an election theme for all parties and the Liberals were aggressive in promising solutions for people priced out of the housing market and parents struggling to afford the cost of child care.

The most financially significant Liberal measure for families is \$10-a-day child care, which is targeted to be in place in five years or less. A 50 per cent drop in daycare costs is projected for the end of next year, which is significant when you consider that households pay a median cost of as much as \$1,000 to \$1,866 per month for infant care in some cities.

The issue of expensive daycare is worsened by the cost of carrying a mortgage in today's housing market. The Liberals promised several measures to assist young buyers, each of which has the potential to chip away modestly at the cost of buying a house or condo.

Among them is a new First Home Savings Account that will allow people under 40 years old to put up to \$40,000 away for a home down payment. As with a registered retirement savings plan, you'd get a tax deduction for contributing to the account. As with a tax-free savings account, you could withdraw principal and growth in the account tax-free.

We'll have to wait on practical details on the new FHSA – what will the eligible investments be and which financial firms will offer them in a convenient, low-cost way?

Another Liberal housing promise was to double the First-Time Home Buyers' Tax Credit to \$10,000 from \$5,000. This tax benefit provides \$1,500 that can be used to help pay the considerable closing costs involved in buying a home.

The Liberals also said they would introduce a 25 per cent cut in the premiums for mortgage default insurance offered by Canada Mortgage and Housing Corp. The party's election platform said this move would save the typical buyer \$6,100. You need mortgage insurance if you buy a house with a down payment of less than 20 per cent.

As well, the Liberals said they will increase the maximum house cost where mortgage insurance is available from \$1-million to \$1.25-million and index that amount for inflation. This will help buyers in expensive markets like Toronto and Vancouver.

A niche solution to expensive houses is to encourage multi-generational housing – grandparents, parents and children living in the same home. The Liberals said they would introduce a new home renovation tax credit to help families add a secondary unit to their home for an immediate or extended family member. Families would be able to claim a 15-per-cent tax credit for up to \$50,000 in reno costs, which means up to \$7,500 in tax savings.

Another Liberal housing promise is to create a Home Buyers' Bill of Rights that will ban blind bidding, where people bidding on a house are not able to find out about competing offers, and ensure a legal right to a home inspection.

One last offering to home owners is a 15 per cent tax credit to help cover the cost of appliance repairs to a maximum of \$500. The money is part of a plan to address the rising cost of appliances that don't last as long as they used to.

To help pay for its considerable spending, the party said it would raise corporate taxes on banks and insurance companies that earn more than \$1-billion per year, and introduce a temporary Canada Recovery Dividend paid by banks and insurers. Investors have been waiting for a resumption of bank dividend increases after a moratorium imposed by regulators early in the pandemic. These taxes could affect the amount of these increases and weigh on the price of bank stocks.

Two Liberal personal tax measures stand out, the first of them an anti-flipping tax on residential properties held for less than 12 months for reasons not related to personal reasons like pregnancy, death or a new job.

The party also said it would impose a minimum 15 per cent tax on people in the top tax bracket. The Liberal election platform explains this move as removing the ability of high earners "to artificially pay no tax through excessive use of deductions and credits."

The Liberals targeted low-income seniors with a \$500 increase in the guaranteed income supplement for single and a \$750 increase for couples. Another measure for seniors is a promise to work with the provinces and territories to enact a 25 per cent increase in the Canada Pension Plan and Quebec Pension Plan survivor's benefit, which may be available to the spouse of a deceased CPP contributor.