

Down Payment Assistance Programs

What are the Taxable Benefits?

1. Interest Benefit:

The interest on each home purchase loan calculated at the CRA [prescribed interest rates](#).

The prescribed rates stay in effect for five years from the date the loan is granted or the prescribed rate for the particular quarter, whichever is lower.

2. Forgivable Portion of the Principal

The loan amount, while taxable as income to the employee, is taxable over the life of the loan. So, with a \$45,000 five-year loan, \$9,000 will be taxable as income each year assuming the loan is granted in January of the year.

With a \$50,000 five-year loan, \$10,000 will be taxable as income each year assuming the loan is granted in January of the year.

When the taxable benefits are reported and taxes are remitted to CRA

1. \$45,000 employees hired at Tenure or Tenure Track prior to July 1, 2017

- UBC reports the taxable benefit at the end of each calendar year to the employee's T4 on Box 14, the Employment income box. In the other information area, report the taxable benefits under Code 36. (**During the calendar year, there is no income withheld or taxes remitted by UBC**)
- Illustration of the Calculation of Taxable Benefits and Estimated Income Taxes

\$45,000 - Down Payment Taxable Benefit Schedules						
Start Date: January 1, 2019						
End Date: December 31, 2023						
Amortization Period	Annual Forgivable Loan Amount	Interest Benefit @CRA Prescribed Int Rate @ 2%	Total Taxable Benefit withheld	Estimated Income Tax Rate	Estimated Income Taxes Payable During the Year	Net Cash Benefit After Taxes
	A	B	C=A+B	D	E=C X D	F=A-E
Jan 2019 - Dec 2019	9,000.00	817.00	9,817.00	40%	(3,926.80)	5,073.20
Jan 2020 - Dec 2020	9,000.00	638.00	9,638.00	40%	(3,855.20)	5,144.80
Jan 2021 - Dec 2021	9,000.00	457.00	9,457.00	40%	(3,782.80)	5,217.20
Jan 2022 - Dec 2022	9,000.00	277.00	9,277.00	40%	(3,710.80)	5,289.20
Jan 2023 - Dec 2023	9,000.00	97.00	9,097.00	40%	(3,638.80)	5,361.20
Total payments	45,000.00	2,286.00	47,286.00	40%	(18,914.40)	26,085.60

2. \$50,000 employees hired at Tenure or Tenure Track after July 1, 2017

- UBC withholds income tax from an employee's payroll and then remit the tax to CRA for each applicable pay period. At the end of the each calendar year, UBC also report the taxable

benefit to the employee's T4 on Box 14, the Employment income box. In the other information area, UBC reports the taxable benefit under Code 36.

- Illustration of the Calculation of Taxable Benefits and Estimated Income Taxes

\$50,000 - Down Payment Taxable Benefit Schedules						
Start Date: January 1, 2019						
End Date: December 31, 2023						
Amortization Period	Annual Forgivable Loan Amount	Interest Benefit @CRA Prescribed Int Rate @ 2%	Total Taxable Benefit withheld	Estimated Income Tax Rate	Estimated Income Taxes Payable During the Year	Net Cash Benefit After Taxes
	A	B	C=A+B	D	E=C X D	F=A-E
Jan 2019 - Dec 2019	10,000.00	908.00	10,908.00	40%	(4,363.20)	5,636.80
Jan 2020 - Dec 2020	10,000.00	708.00	10,708.00	40%	(4,283.20)	5,716.80
Jan 2021 - Dec 2021	10,000.00	508.00	10,508.00	40%	(4,203.20)	5,796.80
Jan 2022 - Dec 2022	10,000.00	308.00	10,308.00	40%	(4,123.20)	5,876.80
Jan 2023 - Dec 2023	10,000.00	108.00	10,108.00	40%	(4,043.20)	5,956.80
Total payments	50,000.00	2,540.00	52,540.00	40%	(21,016.00)	28,984.00

Prescribed Interest Rate Loan Programs

What are the Taxable benefits?

There is **NO** taxable benefit to be reported to CRA as UBC charge employee interest at the CRA's prescribed interest rate. (As of April 2018, the rate is 2%).

The prescribed rates stay in effect for five years from the date the loan is granted or the prescribed rate for the particular quarter, whichever is lower.

The interest rate will be reset after five years according to the prescribed interest rate in effect.

How are the interest charged and paid

Once the loan is granted, the interest payment will be made automatically through UBC payroll benefit deduction on a semi-month basis. There are total 360 payments as long as the loan is still outstanding.

Illustrations of the calculation of the Annual Interest Costs

Items	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
CRA prescribed Interest Rate	2.00%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.50%	2.50%	2.50%	2.50%
Loan Balance	250,000.00	250,000.00	250,000.00	250,000.00	250,000.00	250,000.00	250,000.00	250,000.00	250,000.00	250,000.00	250,000.00	250,000.00	250,000.00	250,000.00	250,000.00
Interest Cost	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,625.00	5,625.00	5,625.00	5,625.00	5,625.00	5,625.00	5,625.00	5,625.00	5,625.00	5,625.00
Loan Balance	500,000.00	500,000.00	500,000.00	500,000.00	500,000.00	500,000.00	500,000.00	500,000.00	500,000.00	500,000.00	500,000.00	500,000.00	500,000.00	500,000.00	500,000.00
Interest Cost	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	11,250.00	11,250.00	11,250.00	11,250.00	11,250.00	11,250.00	11,250.00	11,250.00	11,250.00	11,250.00
Loan Balance	750,000.00	750,000.00	750,000.00	750,000.00	750,000.00	750,000.00	750,000.00	750,000.00	750,000.00	750,000.00	750,000.00	750,000.00	750,000.00	750,000.00	750,000.00
Interest Cost	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	16,875.00	16,875.00	16,875.00	16,875.00	16,875.00	16,875.00	16,875.00	16,875.00	16,875.00	16,875.00

Assumptions:

1. Loans are advanced at the beginning of the year
2. Loan amounts illustrated here are : \$250K, \$500K and \$750K