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# Tax on unproductive use of housing by non-resident, non-Canadian owners

Submission to Finance Canada

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On behalf of the Canadian Home Builders' Association (CHBA), representing some 9,000 member companies in the residential construction sector, thank you for the opportunity to provide the Association's input on the consultation of the Tax on unproductive use of housing by non-resident, non-Canadian owners (UHT).

Since 1943, CHBA has been the voice of Canada's residential construction industry. CHBA seeks a strong and positive role for the housing industry in Canada's economy and in the life and development of our communities. In addressing this goal, we support the business success of our members. We work to ensure Canadians have access to homes that meet their needs at a price they can afford to pay, and that the interests of homebuyers and homeowners are understood by governments.

When taxing the unproductive use of Canadian housing by foreign non-resident owners was first mentioned in the *2020 Fall Economic Statement* and then reiterated in *Budget 2021*, it was done simply from a demand-side perspective. While cooling the market and making more housing supply available to Canadians may indeed be somewhat supported by addressing the unproductive use of housing by foreign non-resident owners, any such action must be undertaken with extreme precision and caution to avoid unintended consequences--as we have seen through previous demand-side measures seeking to cool the housing market, such measures of over done or not crafted well instead simply create pent-up demand and limit much needed housing supply, which can cause rapidly increasing house prices when conditions change and demand again outstrips supply, like we have been seeing for the past year.

When it comes then to the possible adoption of a tax on underused housing, it is important that such a measure is carefully crafted to ensure it properly targets only unproductive housing demand and does not stifle much needed new housing supply. It is critical to avoid steps that either lock out more first-time buyers, disincentivize more housing supply for Canadians, or compromise the economic stability provided by homeownership – these measures will not help Canadians or the health of the Canadian economy over time. This is especially true if government policy does not address the underlying housing supply issues that have created the situation we are in now.

The success or failure of this measure will depend on the details. Such a tax should not be used simply as a revenue stream for the government but implemented in such a way that it truly addresses the availability of supply and affordability. With that perspective in mind, CHBA offers the following recommendations:

**1. Any proposed tax should be designed in such a way as to only target unproductive use of properties only used to capture appreciation and equity.**

It is important that this tax not encompass homes providing accommodation, either owner-occupied, or through rental. Those types of homes are providing much-needed supply and should not be included in the proposed tax.

**2. The tax should not apply to seasonal or vacation properties.**

Currently, non-Canadians owning vacation properties in Canada are not on the consultation's list of 'Excluded Owners' who would be relieved from the declaration requirement. This could result in unintended consequences to investment and tourism in several parts of the country.

**3. The proposed tax should be part of a suite of actions that improve affordability for all types of market housing.**

Taxes of foreign-ownership and vacancy are not silver-bullets when it comes to affordability. It is very important that the federal government provides leadership by working with all orders of government to support new housing supply. This includes:

- Ensuring any public infrastructure funding for provinces and municipalities supports creating new or upgraded serviced land for housing – including new homes, infill, rental, and affordable housing.
- Supporting provincial and municipal governments efforts to streamline permitting and approval processes to speed up construction and reduce project financing costs.
- Providing leadership on the key challenges to new construction: zoning restrictions, density limits, and NIMBYism (for all forms of housing, including market-rate housing).

Federal policies should also be directed to support and provide more purchasing power to support well-qualified Canadians to enter the market – a proven way to help build and distribute wealth. These policies should include:

- Providing first-time buyers with the option of 30-year amortizations for insured mortgages.
- Leveraging the stress test to incent longer-term mortgages (7–10-year terms) to help keep living expenses for Canadians predictable and affordable, while boosting overall financial system stability.

CHBA urges the government to carefully consider the full impact of any macroprudential and demand-side measures, especially in the absence of sufficient action by all levels of government to support new housing supply, which is the real and more concerning driver of escalating prices across the country. Finding the right balance of housing policy, fiscal policy and mortgage rules to maintain stability while also supporting the needs and goals of Canadians is essential.

The Canadian Home Builders' Association would welcome the opportunity to further expand on our recommendations. Should you have any questions, or require more information, please do not hesitate to contact Nicole Storeshaw, Manager, Government Relations at [nicole.storeshaw@chba.ca](mailto:nicole.storeshaw@chba.ca) or 613-230-3060 ext. 241.

Sincerely,

A handwritten signature in blue ink, appearing to read 'K. Lee', is positioned above the typed name.

Kevin Lee, P.ENG., M.ARCH.  
CEO, CHBA