Canadian Home Builders' Association

September 24, 2026

The Hon. François-Philippe Champagne, P.C., M.P.
Minister of Finance and National Revenue
90 Elgin Street
Ottawa, ON K1A 0G5

Dear Minister Champagne,

I am writing to you on behalf of the Canadian Home Builders' Association (CHBA). Since 1943, CHBA has been the national voice of Canada's residential construction and renovation industry. Our members include home builders, renovators, land developers, and trade contractors.

CHBA is urging the federal government to re-introduce a Home Renovation Tax Credit (HRTC), similar to what was introduced in 2009. CHBA and our members supported the tax credit, highlighting the significant and positive effect in motivating homeowners to initiate home renovation projects especially at a time of much-needed economic activity. Another factor in supporting the 2009 tax credit was it helped reduce the underground economy by requiring the supply of renovations services to come from legitimate tax-paying companies. The tax credit provided consumer protections and ensured government revenues that would be ordinarily lost to underground activity.

Business investment in residential renovations is a stable and slow growing component of fixed capital formation. Historically, industry growth aligns with Canada's housing stock. However, the last five years have shown unprecedented volatility. Real national renovation investment experienced a collapse in 2023 and 2024 that was twice the size as the one experienced during the 1990-92 recessionary period. From 2024 until mid-2026, investment in renovations has held flat at just over $52 billion in annual chained 2017 dollars. Outside of a brief period in 2020, 2013 was the last time we saw annual real investment level of $52 billion. This is a tremendous reduction considering how steady overall industry growth is historically.

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Between 2020 and 2025, Canada's housing stock has grown by over 1.2 million units and yet the remaining useful service life ratio of the housing stock has fallen to 58.7%. Taking this larger and older housing stock together with investment in residential renovation sitting at decade-low levels for two years, we can conclude that the flow of capital going into existing dwellings is not keeping pace with the aging of the housing stock.

CHBA launched its Renovation Market Index in 2025 with the aim of tracking renovator confidence in local market conditions. Bound between a score of 0 and 100, the Spring 2026 RMI registered a neutral score of 50.3, suggesting that the industry's economic stagnation at its materially lower level is set to continue over the foreseeable future.

In terms of the underground economy, several measures have been put in place or have been proposed over the years. The CRA requires a T5018 form to record subcontractor payments made by construction businesses, it has partnered with provinces to educate trades students and apprentices of their tax obligations, and it has increased auditing capacity within real estate transactions. FINTRAC has proposed expanding anti-money laundering compliance obligations to include renovators and building material suppliers. Despite these efforts, the measures have not meaningfully reduced underground activity in the residential construction and renovation sector.

The public-interest case for an HRTC extends beyond recovering tax revenue. Underground contractors can avoid GST/HST, income taxes, EI and CPP contributions, Workers' Compensation premiums, permit and inspection fees, and business insurance costs, reducing their cost of providing renovation services by 40% or more. Legitimate firms cannot compete with prices produced by avoiding these obligations. Homeowners who accept undocumented cash arrangements also face a greater risk of financial loss, deficient work, reduced property value and potential legal liability. Requiring documentation to claim the credit would help level the competitive playing field while protecting consumers and reinforcing the integrity of Canada's tax system.

The only year in which nominal underground residential construction declined broadly across provinces while real investment in legitimate residential construction was still increasing was 2009. Quebec, Ontario, Alberta and British Columbia each recorded reductions in nominal underground residential construction measured in the hundreds of millions of dollars. This experience supports a demand-side policy response: cash operators are difficult to detect because their transactions generate little or no paper trail, but a tax credit can make invoices, written contracts and purchases from legitimate, tax-paying businesses financially valuable to homeowners. By shifting consumer demand toward documented transactions, an HRTC would complement enforcement and education measures that primarily target contractors after underground activity has occurred.

The *Get it in Writing!* consumer education campaign, and joint initiative between CHBA and CRA, demonstrated that homeowner behaviour can be changed by creating a clear incentive to require documentation from contractors. The results showed that measures which encourage homeowners to request documentation can produce meaningful changes in the purchasing decisions that enable underground activity.

To maximize its impact on the underground economy, a renewed HRTC should make eligibility conditional on documentation that legitimate contractors already provide, including a written contract, detailed invoices and proof of payment. This would give homeowners an immediate financial reason to reject undocumented cash arrangements while reinforcing the consumer-protection message that a cash deal where nothing is written down means greater risk and less control over the renovation outcome. The credit would therefore do more than stimulate renovation investment: it would establish proper documentation as a prerequisite for receiving a public benefit and create a paper trail that supports tax compliance.

Without policy intervention, the industry's recovery in economic output will be severely protracted, Canadians will be left with a degraded housing continuum, and underground renovation activity will continue to thrive. CHBA would be happy to discuss this issue with you further, including ways that a HRTC can effectively address multiple policy objectives at once. Please have your staff reach out to Senior Director of Public Affairs, Nicole Storeshaw, at Nicole.Storeshaw@chba.ca

Canadian
Home Builders'
Association

Sincerely,

Frank Lohmann
CHBA Interim CEO

Cc:

The Hon. Wayne Long, P.C., M.P. - Secretary of State for Canada Revenue Agency and Financial Institutions

Varun Srivatsan - Director of Policy for Minister of Finance and National Revenue

Farim Khan – Senior Policy Advisor for Minister of Finance and National Revenue

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