Canadian Federation of Apartment Associations
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CFAA welcomes changes to the corporate tax reforms

Today in Budget 2018, Finance Minister Morneau announced more major changes to the federal government's plan to increase the tax paid on investments by many Canadian Controlled Private Corporations (CCPCs), including many corporations which invest in rental housing or which provide services to the rental housing sector.

Along with many other associations and many tax professionals, CFAA has criticized the tax changes for CCPCs for:

- Being a red tape nightmare for business,
- Creating uncertainty,
- Being confiscatory, and
- Blocking growth of CCPCs to larger enterprises.

While we need more time to study the details of today's announcements, it appears that the government has made changes that will mitigate the worst impacts of the planned tax reforms.

CFAA is particularly glad to see:

- The abandonment of the "super-tax" approach,
- The use of a phase-in so that the benefit of the small business tax rate is not subject to a cliff, and
- The exclusion of capital gains from the sale of investments incidental to the business from adjusted aggregate investment income.

CFAA has opposed the proposed tax increases, which would have had a major negative effect on new rental supply and other investments by small businesses. Tax increases on rental housing are ultimately borne by renters, many of whom have low incomes. Tax increases on rental investments work against housing affordability, which governments say they are for.

CFAA President John Dickie says, "Any increase in the taxes on rental apartments and townhouses would have far more negative than positive effects. Any increased tax on rental developers and investors will choke off much needed rental supply, and hurt renters. CFAA applauds the government for reeling in the changes, which should minimize their negative effects."

CFAA Chair David Hutniak says, "The federal government needs to look seriously at its policy for encouraging new rental construction, and avoid tax increases. In their turn, the provinces and cities need to look hard at their property taxes, development charges and delays in planning approvals. Those are the factors holding back much-needed purpose-built rental supply."

CFAA urges the governments to make reforms so the new rental housing developments are viable and can be done quickly.

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