

**CANADIAN GENERAL ELECTION 2021  
CFAA COMPARISON OF THE MAIN PARTIES' ELECTION PROMISES  
TAX ISSUES AFFECTING RENTAL HOUSING**

September 8, 2021

CFAA does not endorse political parties, since we have to work with whichever party or parties form the government. However, in order to inform CFAA's members of the parties' positions in relation to rental housing issues, CFAA compares the major parties' positions and actions with those of the other major parties, and with CFAA's positions

Conservatives	NDP	Liberals	CFAA position
<b>GST on rental construction</b>			
No promise on this issue.	Waive the GST on the construction of new affordable rental units. [The waiver would not apply to the provincial portion of the HST unless each province concurred.]	Increase the new residential rental property rebate on the GST to 100 percent, eliminating all [federal] GST on new capital investments in affordable rental housing."	CFAA agrees with GST relief, however the definition of "affordable rental housing" will be key.  CFAA would argue that much new rental housing is more affordable than much new housing intended for owner occupation, and so this change should not be restricted to social, community or non-profit housing, but rather should include a substantial amount of new rental housing, if not all new rental housing.
<b>Tax deferral on reinvestment in rental housing</b>			
Allow tax deferral of capital gains on the sale of real estate if the proceeds of sale are reinvested in rental housing.  This is presented as a means of stimulating more rental housing supply.		Completely ignoring the benefit for renters of encouraging more rental supply, the Liberals have attacked the Conservatives for this promise as "giving benefits to the rich".	CFAA very much agrees with tax deferral on reinvestment in rental housing. See CFAA's statement on the tax deferral <a href="#">here</a> . Similar measures in the past have been supported by the Federation of Canadian Municipalities, and the Ontario Non-Profit Housing Association, neither of which is an advocate for the rich.

Conservatives	NDP	Liberals	CFAA position
<b>Taxation of gains on principal residences</b>			
<p>Promise never to tax Canadians' capital gains on the sale of their principal residence.</p>		<p>During 2020, Liberal Housing secretary Adam Vaughan raised this as an issue, while saying he is opposed to taxing capital gains on principal residences. CMHC commissioned an Innovation Lab studying that question. No results were released before the election, and none will be released during the election.</p>	<p>CFAA agrees with not taxing capital gains on principal residences. CFAA's goal is to reduce the capital gains tax on rental housing, or to defer it.</p>
<b>Capital Gains tax</b>			
<p>No reference to the capital gains inclusion rate.</p>	<p>Increase the capital gains inclusion rate from 50% to 75%.</p>	<p>No reference to the capital gains inclusion rate.</p>	<p>CFAA is opposed to any increase in the capital gains inclusion rate. If any increase is made, then rental housing should be exempted from the increase, or capital gains should be adjusted for inflation. Absent the partial inclusion rate or an adjustment for inflation, the tax on capital gains would inevitably be in part a tax on capital, which would be ruinous for investment, both generally, and for new housing supply in particular.</p>
<b>Income &amp; wealth taxes</b>			
<p>No references to changes in income taxes. No reference to any wealth tax.</p>	<p>Increase the top marginal tax rate from 33% to 35%. Impose a wealth tax on the "very richest multi-millionaires". [The promise</p>	<p>During their recent majority government, the Liberals increased income taxes on the highest tax bracket from 29% to 33%. At the same</p>	<p>CFAA prefers lower taxes to higher taxes.</p>

	appears to be a wealth tax of 1% on wealth of over \$10M.]	time, they reduced the middle-income tax rate from 22% to 20.5%. They make no reference to any proposed change now. No reference to any wealth tax.	
<b>Conservatives</b>	<b>NDP</b>	<b>Liberals</b>	<b>CFAA position</b>
<b>Taxes on Corporations and REITs</b>			
No changes in the tax rules.	Increase the corporate tax by 3 per cent to 2010 levels. Introduce a temporary COVID-19 excess profit tax that puts an additional 15% tax on large corporate windfall profits during the pandemic.	During their recent majority government, the Liberals revised the tax rules for small businesses operating through Canadian Controlled Private Corporations (CCPCs) to largely prevent income splitting except for owners age 65 and over.	Investors in corporations pay their full fair share of taxes by paying tax on corporate dividends at their marginal personal tax rate (with a credit for taxes already paid by the corporation, through the dividend tax credit).
No reference to REITs.	Review the tax treatment of REITs.	Review the tax treatment of large corporate owners of residential properties, such as REITs. Put in place policies to curb excessive profits in this area, while protecting small independent landlords.	CFAA prefers lower taxes to higher taxes. Investors who own REIT units pay their full fair share of taxes by paying tax on REIT payouts at their marginal personal tax rate. That is usually higher than the corporate tax rate. Most rental housing providers with fewer than six full-time employees pay higher tax rates than other businesses of any size because net rental income is considered to be passive income rather than active business income.