



The Canadian
Tax Observatory

Shelter vs. Tax Shelter: A look at who benefits from tax measures in the housing sector

Executive Summary

Canadians complain about the state of the housing market almost as much as they complain about the weather. Worries about affordability are entrenched and longstanding.

If you're a prospective buyer, especially a young one, a house seems out of reach, unaffordable unless you scrimp and save for years, lean on your parents and brace for cramped living space.

If you're a prospective seller, especially these days, you're worried you won't get enough out of the sale to finance your retirement and lifestyle.

If you're a policymaker, you're searching for ways to help young buyers while also maintaining the value of homes for owners who make up the majority of your voting bloc. A policy paradox.

And if you're low-income, it's not just about the cost of real estate. It's the ability to get a roof over your head. The housing squeeze affects just about everyone, but the cascading impacts push many into homelessness.

We have done this to ourselves.

Over the years, Canadians have poured more and more of their savings into residential investment. Economy-wide, the allure of real estate has acted like a magnet, potentially pulling money away from other sectors, most notably business investment.

But this isn't just because we really like houses. It's partly because we, collectively and over decades, have designed a tax system that actively and increasingly tugs our economy in that direction.

The Canadian Tax Observatory, with the help of economists at the Centre for the Study of Living Standards, has attempted to measure some of the economic and fiscal impact of this systemic use of tax policy on housing. And we also focused on one particular program – the incredibly popular and fairly new federal First Home Savings Account (FHSA) – to get a detailed picture of how such tax policy works at the household level.

Who benefits from measures such as the FHSA and the rest of the \$17 billion in tax expenditures that support the housing sector every year? We demonstrate that for the FHSA, at least, it is disproportionately those who least need the support – high-income and wealthy households.

There's a cost, of course. It comes in the form of foregone revenue to the federal purse – money that could go towards any number of programs. It also comes in the form of exacerbating some of the more disturbing trends in our economy: intergenerational inequities and the gap between rich and poor. And in the end, by driving more demand for houses, such measures actually undermine their stated purpose, making housing less affordable over time.

So, here's another thing to worry about: the tax treatment of residential investment. The evidence suggests tax policy is responding to short-term political pressure to make home ownership affordable, but in fact, it can undermine long-term affordability within the housing system.

Not all housing tax measures are alike. Supply-expanding or income-targeted measures may help, but broad demand-side tax subsidies can be regressive and can worsen affordability in a supply-constrained market.

In short, we have cobbled together a system of expensive tax breaks that tilt our economy in the wrong direction – driving our collective savings disproportionately into residential investment, heavily favouring those who least need help and undermining affordability for those who need it most.

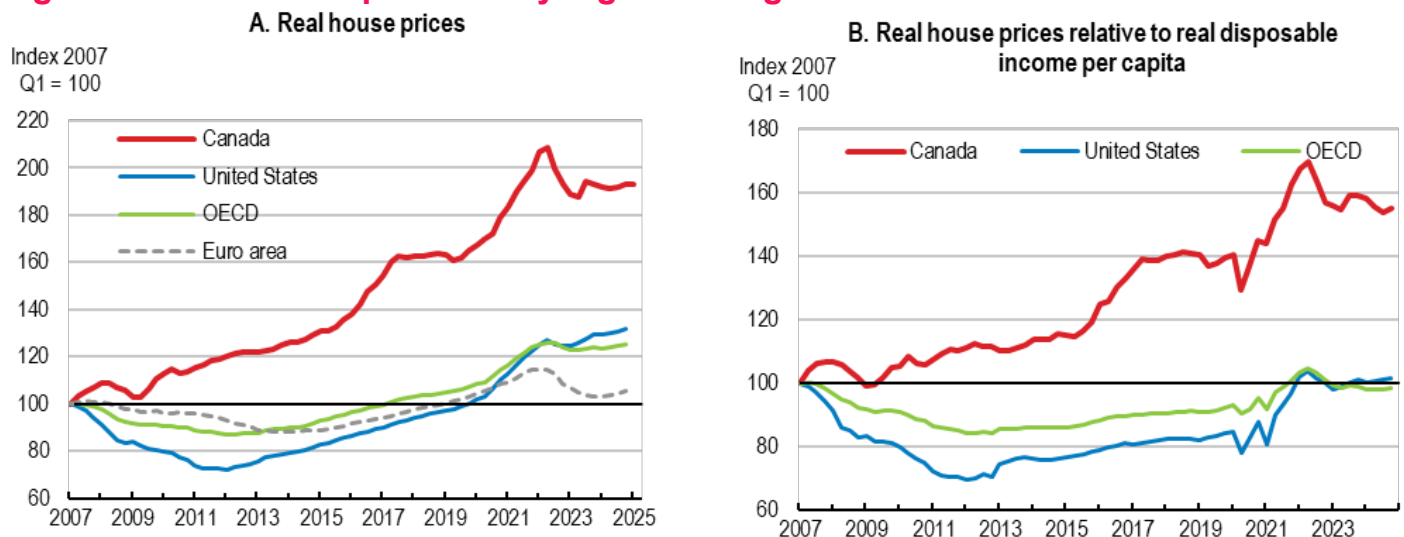
In this [report](#), we look at the big picture of where our savings and investments have settled over time. We zoom in to look at the suite of tax measures that were meant to make housing more affordable. We do a deep dive into all the data available to us so far on the FHSA. And we look at which demographics are benefiting from that generous program.

What we didn't do in this report was assess tax measures that encourage investors to buy existing homes, such as the deductibility of rental income and taxing investor real estate appreciation at favourable rates – measures that may well drive up the value of assets for wealthier Canadians. These were beyond the scope of this research but merit attention in future work.

Key Findings

EXPOSURE: Canada allocates a large and rising share of its total investment to housing; and low- and middle-income households are particularly exposed to market dynamics. The affordability problem for younger and lower-wealth households is especially acute. (Figure 1b)

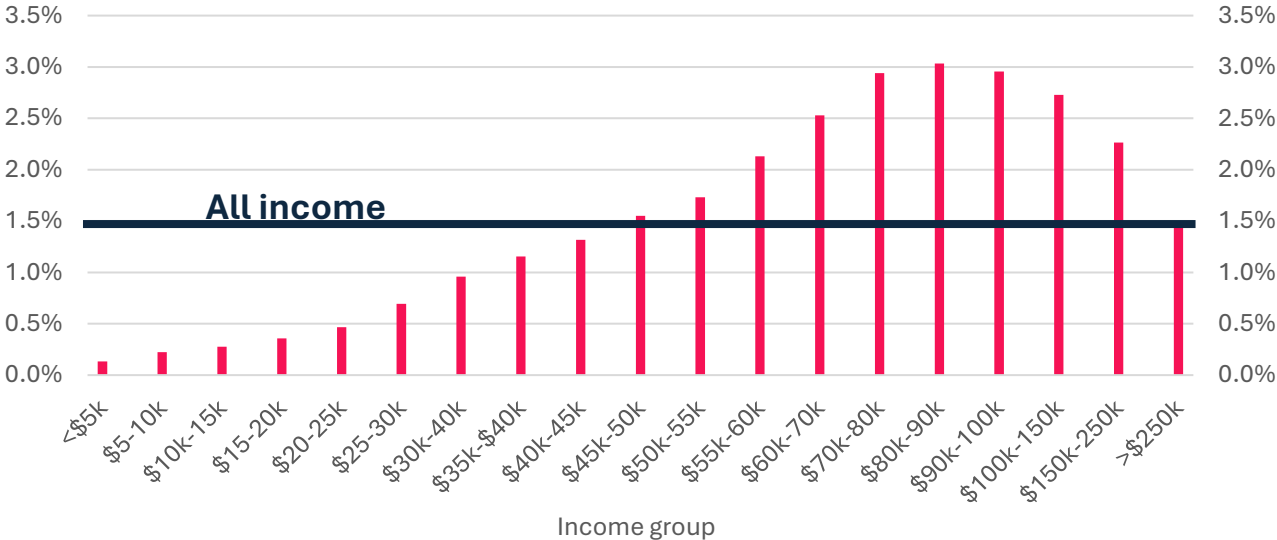
Figure 1: Canada has persistently high housing costs relative to other countries



BESTOWING FAVOUR: The First Home Savings Account is generous and popular, benefiting higher-income households and often funded by the so-called Bank of Mom and Dad. (Figure 2)

Figure 2: FHSA use was higher than average for those with incomes of \$45k to \$250k annually

Share of tax filers, by income group, claiming FHSA deduction; 2023



Source: Calculations from CRA, Individual Income Tax Return Statistics (2023 tax year)

FISCAL COST: Federal tables show that housing tax expenditures amount to about \$17 billion in foregone revenue every year – a major and increasingly significant part of the federal tax system. (Figure 3).

Figure 3: The FHSA accounts for almost 10% of housing tax expenditures

Estimated foregone personal income tax revenue, by fiscal year in millions of current dollars

	2027	Share of expenditures
Non-taxation of capital gains on principal residences	9,420	55.4%
Exemption from GST for certain residential rent	2,995	17.6%
Tax-Free First Home Savings Account	1,585	9.3%
Enhanced rebate for new residential rental property	1,205	7.1%
First-Time Home Buyers' GST Rebate	895	5.3%
Rebate for new residential rental property	345	2.0%
First-Time Home Buyers' Tax Credit	250	1.5%
Accelerated capital cost allowance for purpose-built rentals	230	1.4%
Rebate for new housing	70	0.4%
Total housing tax relief	16,995	100.0%

Source: Finance Canada, Tax Expenditures and Evaluations (2026)