The Canadian Tax Observatory

# Housing Tax Policy in Canada, in Charts: Affordability, Equity and Capital Allocation

July 2026 update

Prepared by Centre for the Study of Living Standards

# Overview of this report

**Note: This July 2026 report update incorporates new 2024 data on the First Home Savings Account, and updates Slides 24, 25, 27 and 29-32.**

**The original report provided additional evidence to support the Canadian Tax Observatory's *Shelter vs. Tax Shelter report*:**

- **Documents the outsized role of housing in Canada's economy and investment**
- **Examines the First Home Savings Account (FHSA) as a case study of recent housing policy, including: program design; who benefits; fiscal costs, and its role within broader housing tax expenditures**
- **Analyzes the characteristics of first-time home buyers, including the growing importance of gifts and inheritances in down payments**

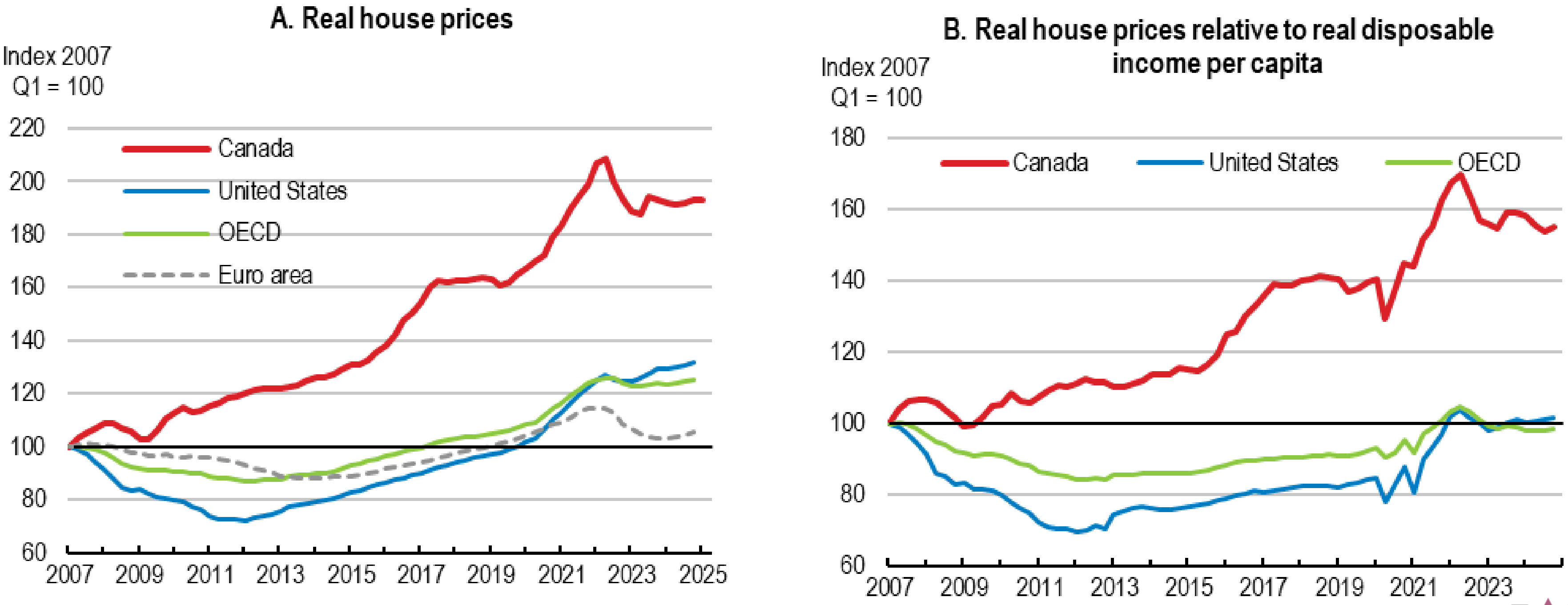
# Key findings

- Housing plays an outsized role in Canada’s economy and captures an increasing share of its overall investment.
- The federal government provides significant tax support to housing worth up to $17 billion annually.
    - The FHSA is just one of nine tax expenditures, which alone costs the federal treasury $1.6 billion a year in foregone revenue, along with several hundred million more for the provinces — an amount that has been climbing steadily.
- The FHSA, as currently designed, primarily benefits higher-income and higher-wealth households.
- Demand-side tax measures, operating in supply-constrained markets, can worsen housing affordability, especially for younger and lower-wealth Canadians.

# The Outsized Role of Housing in Canada

# Canada has persistently high housing costs relative to other countries

**Housing prices and price-to-income ratios in Canada have risen much more than comparable economies in recent decades**




Source: OECD Economic Surveys: Canada 2025, Chapter 2: Improving Housing Affordability

# Canada devotes a large and rising share of its total investment to housing

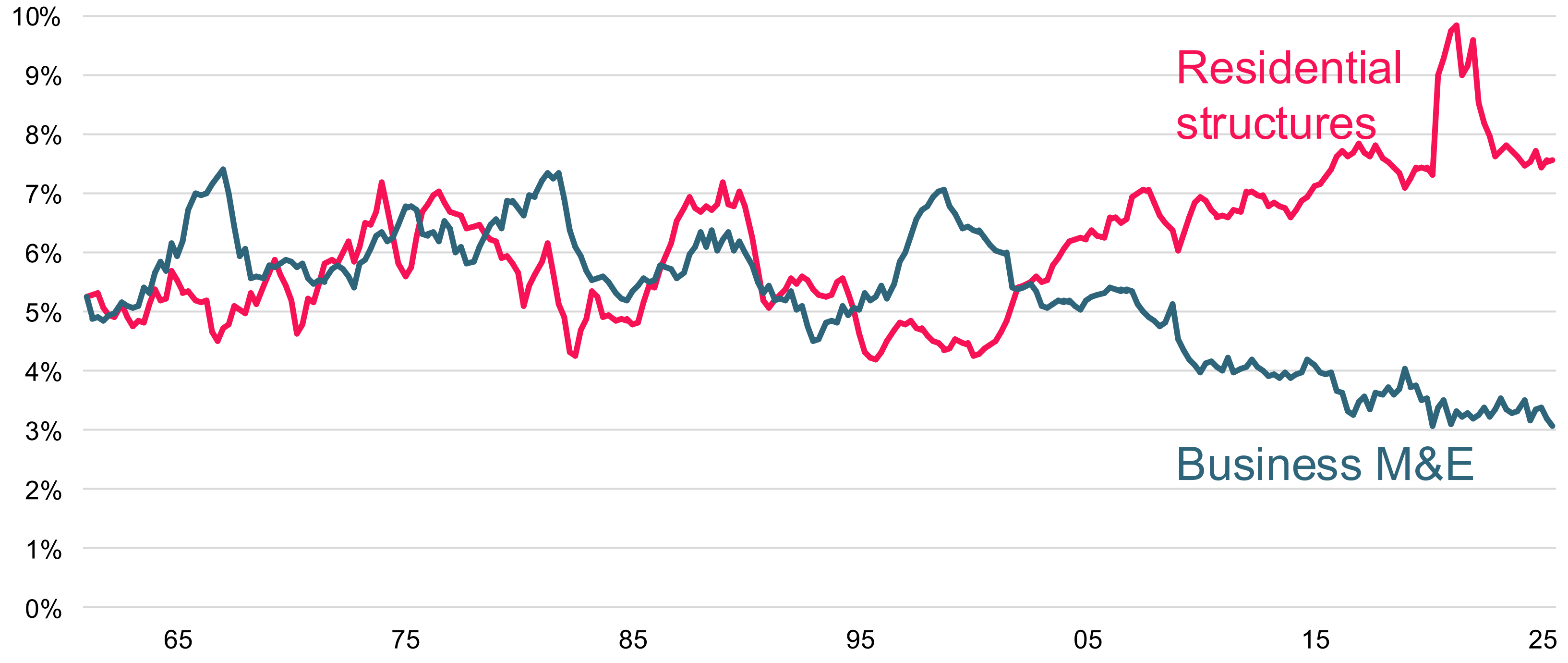
## Residential investment as a share of Canada's total investment, 1961-2025


Source: Calculations using Statistics Canada Table 36-10-0104-01

# Canada’s strong housing investment may be the flip side of weak business investment

## Key investment categories as a share of Canada’s GDP, 1961-2025

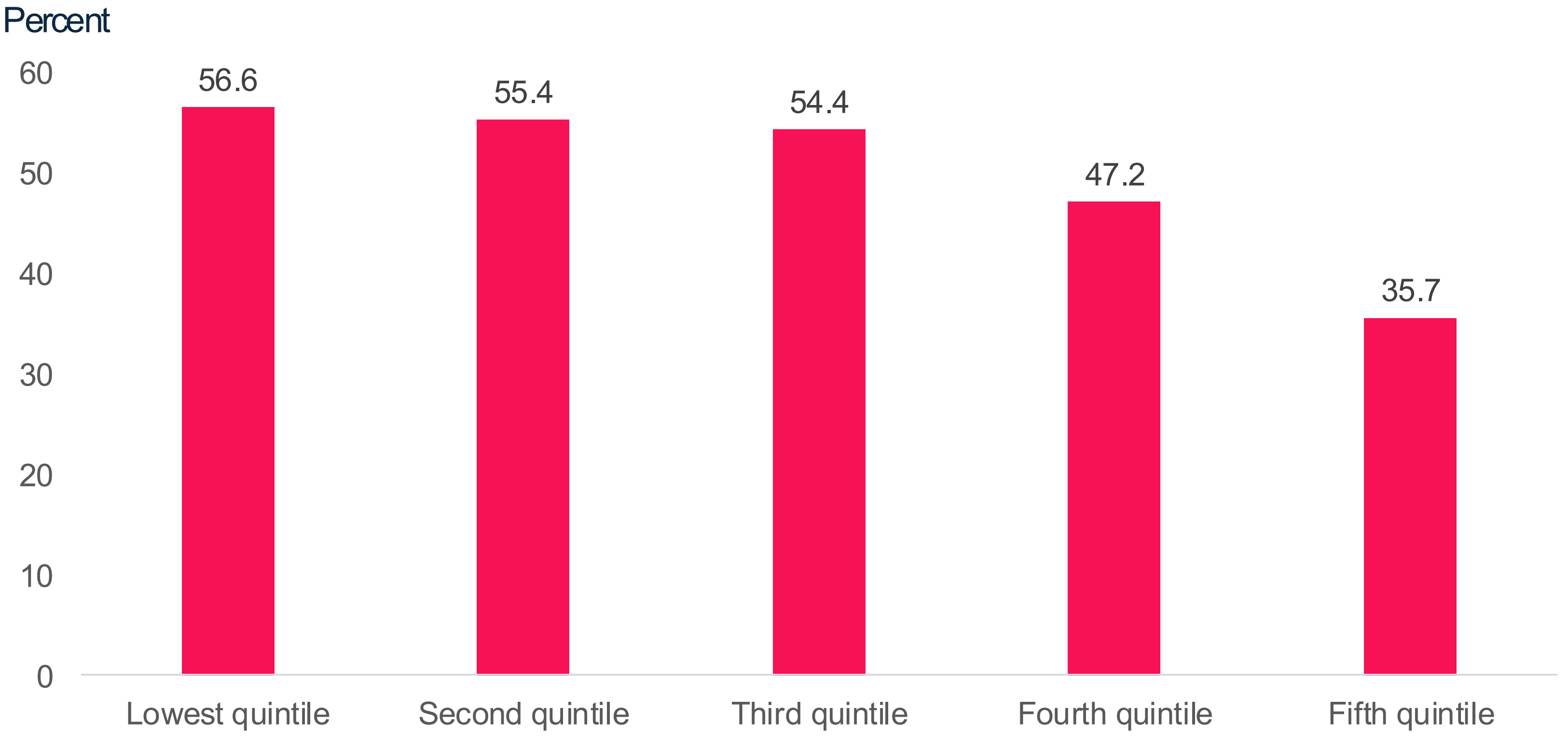
Percent




Source: Calculations using Statistics Canada Table 36-10-0104-01

# Real estate accounts for the majority of total assets for lower- and middle- wealth Canadians

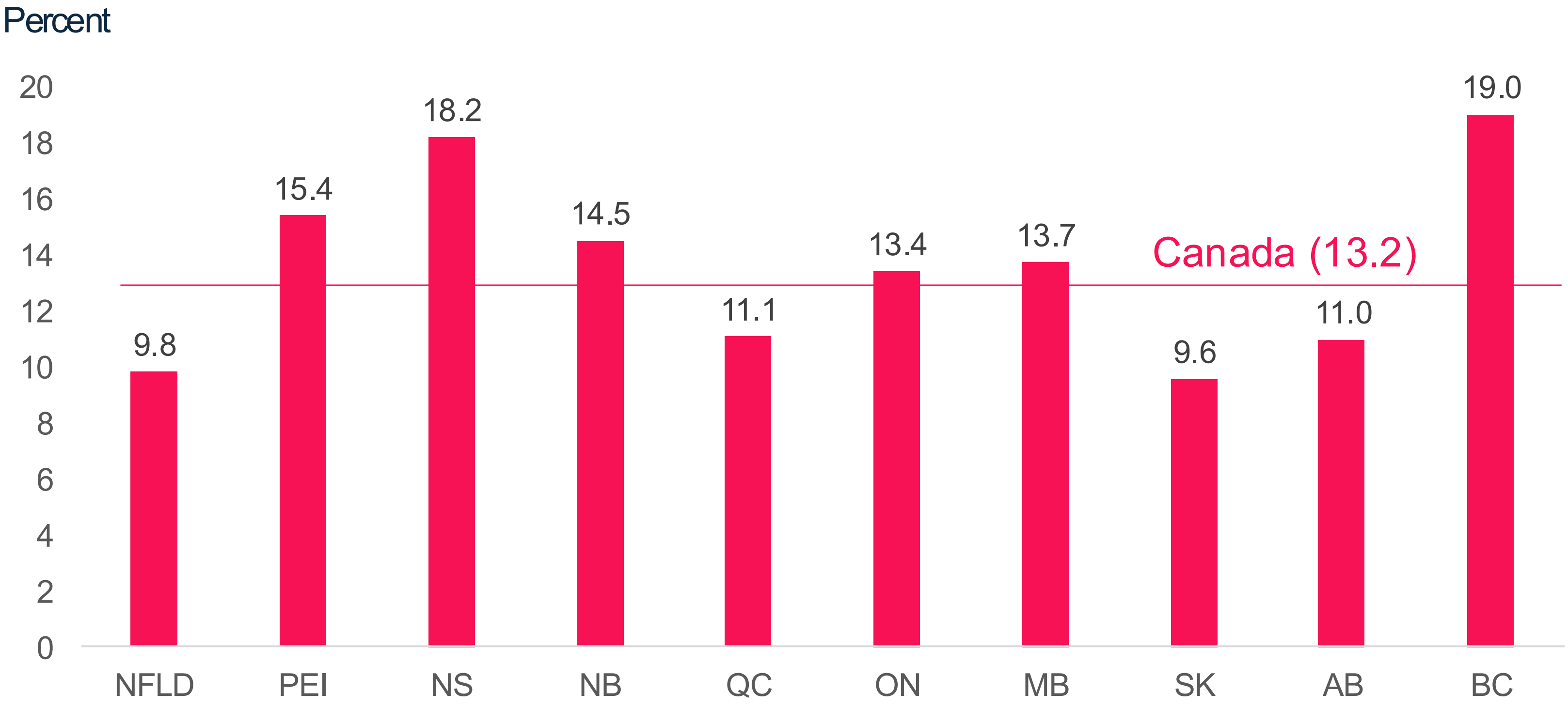
## Real estate as a share of total assets, by the wealth distribution, Canada 2025Q2




Source: Statistics Canada Table 36-10-0664-01

# Real estate (broadly defined)* accounts for a significant share of economic activity across Canada (13.2%), and up to 19% of GDP in British Columbia

## Real estate, rental and leasing as a share of GDP, Canada and provinces, 2024



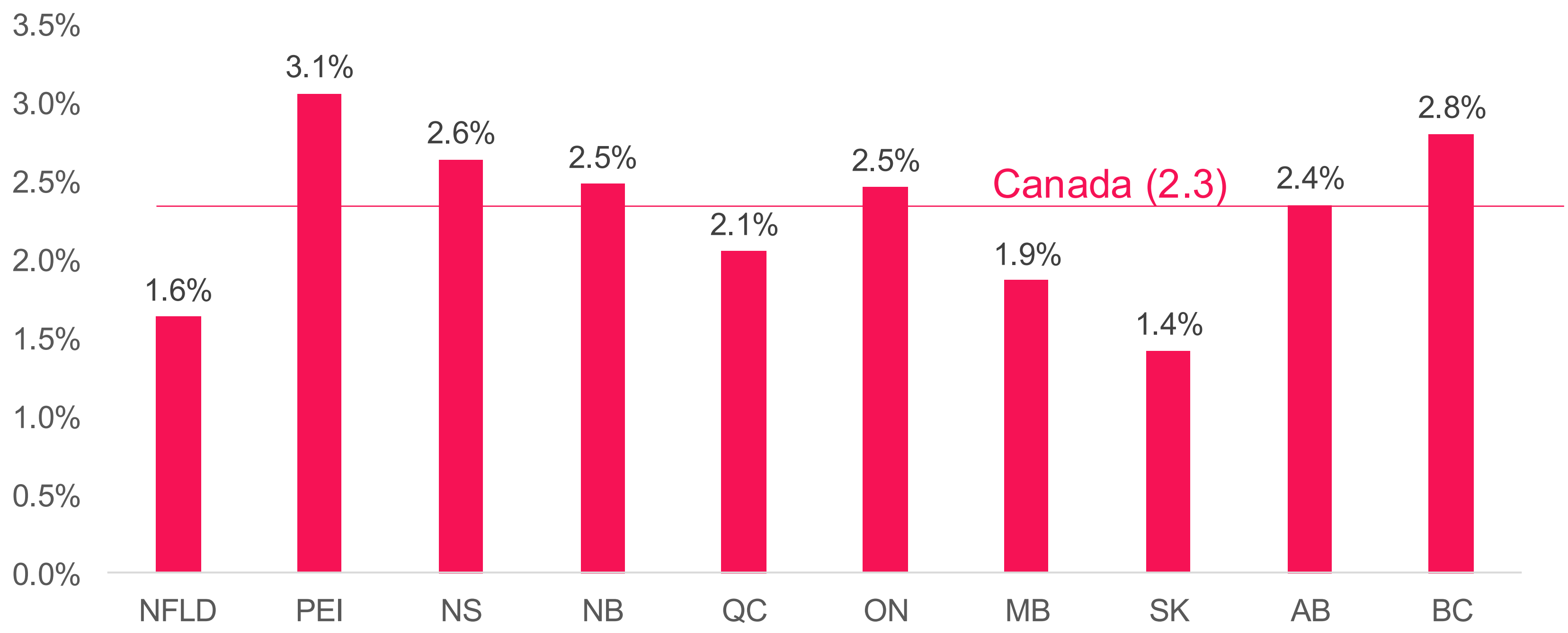

Note: *Real estate, rental and leasing (NAICS 53) is largest sector. It includes owner-occupied dwellings, residential rental markets, commercial real estate leasing, property management, real estate agents, brokers, and related leasing. It does not include new home construction, renovations (see next slide), or land price appreciation.

Source: Statistics Canada Table: 36-10-0400-01

# Residential construction activity (narrowly defined)* accounts for 2.3% of economic activity across Canada, and up to 3.1% of GDP in PEI

## Residential building construction as a share of GDP, Canada and provinces, 2024

Percent



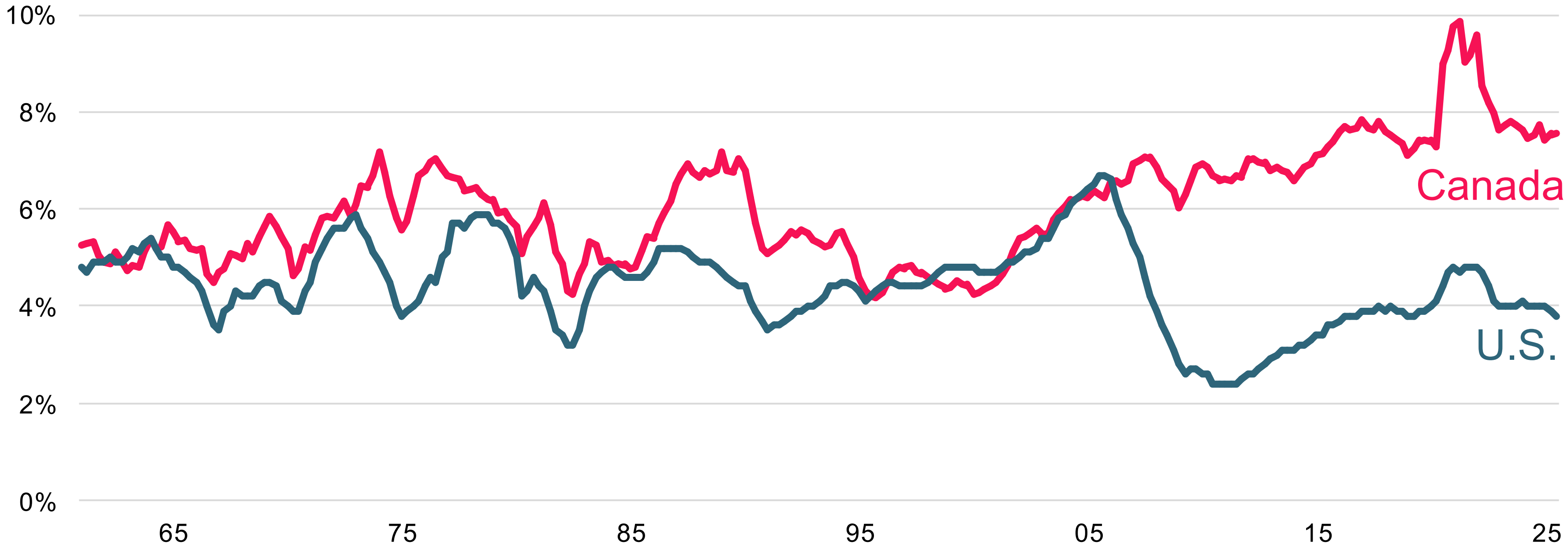

Note: *Residential building construction (NAICS 23A) is the smallest sector. It includes include production of new home structures (construction of new single-family and multi-unit dwellings, additions and renovations, which represents physical investment activity, not ongoing use of housing.

Source: Statistics Canada Table: 36-10-0400-01

# Canada’s residential investment is twice as large as in the U.S.

## Residential fixed investment as a share of GDP, 1961-2025

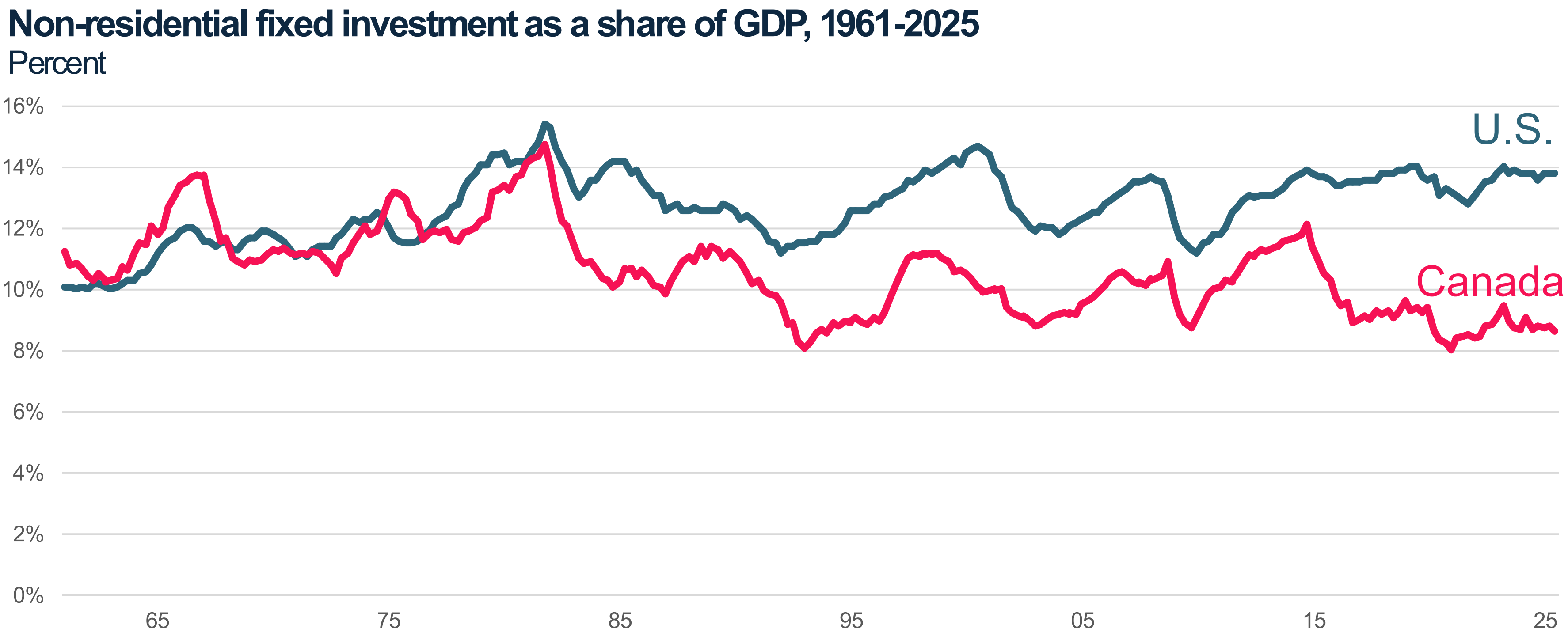
Percent




Note: Residential fixed investment includes new home construction, renovations and brokers’ fees. This does not include housing services.

Sources: Canadian data calculations using Statistics Canada Table 36-10-0104-01; U.S. data is from the Federal Reserve Bank of St. Louis

# Canada’s business investment significantly lags the U.S…



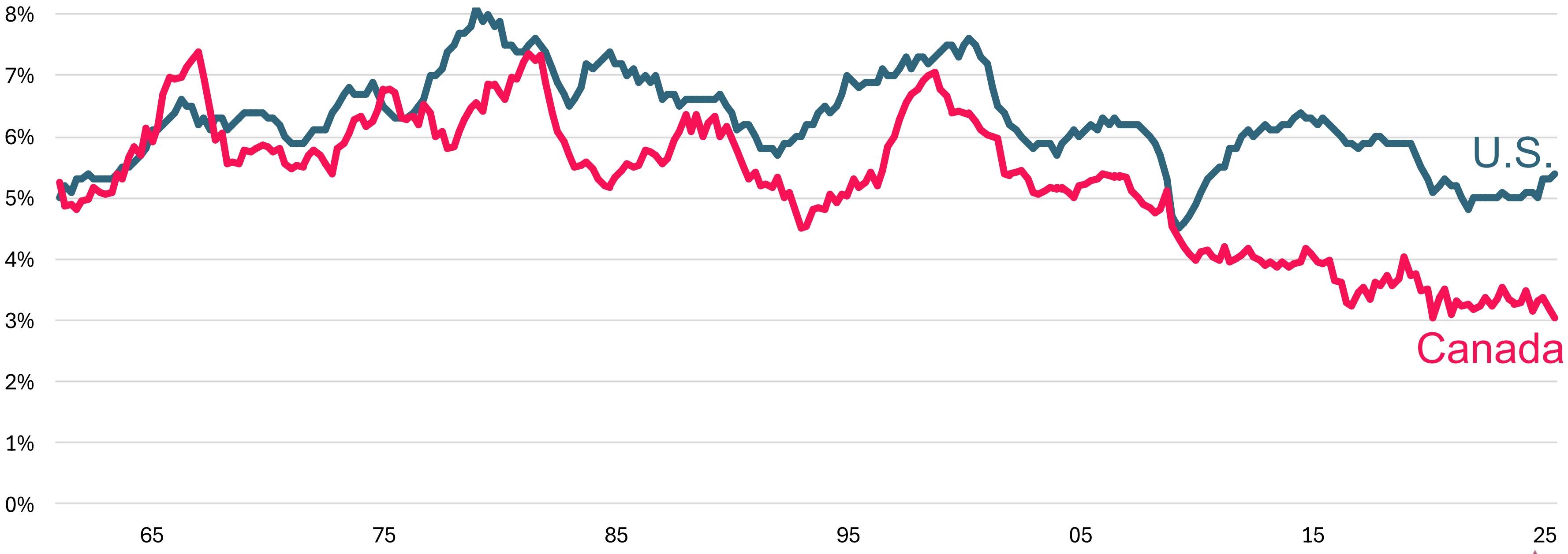

Note: Non-residential fixed investment includes structures, equipment, and intellectual property products. For each, see the charts that follow.

Sources: Canadian data calculations using Statistics Canada Table 36-10-0104-01; U.S. data is from the Federal Reserve Bank of St. Louis

# …particularly business investment in equipment.

## Non-residential fixed investment in equipment as a share of GDP, 1961-2025

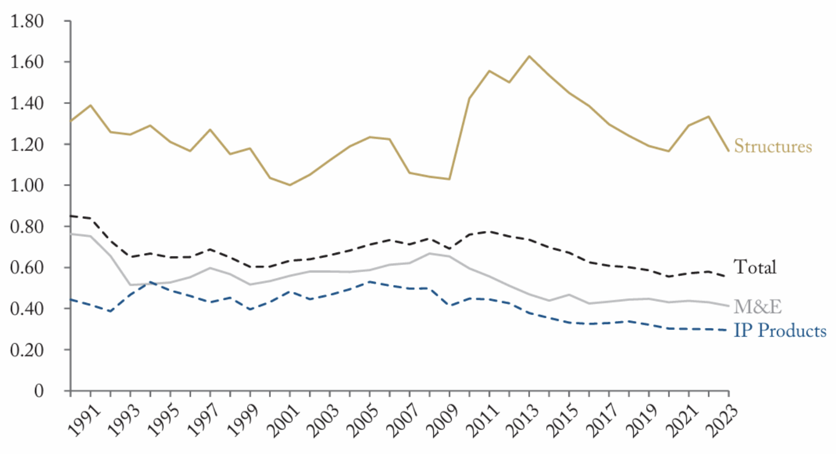
Percent



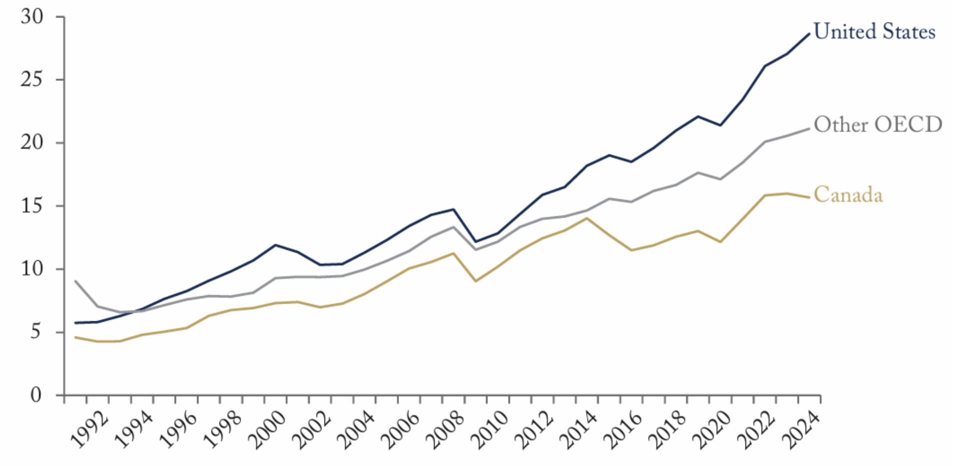

Sources: Canadian data calculations using Statistics Canada Table 36-10-0104-01; U.S. data is from the Federal Reserve Bank of St. Louis

# Canada’s business investment per worker is only 55 per cent of the U.S. level and 66 per cent of the OECD…

## Business investment per worker, 1990-2023
Canada versus U.S.



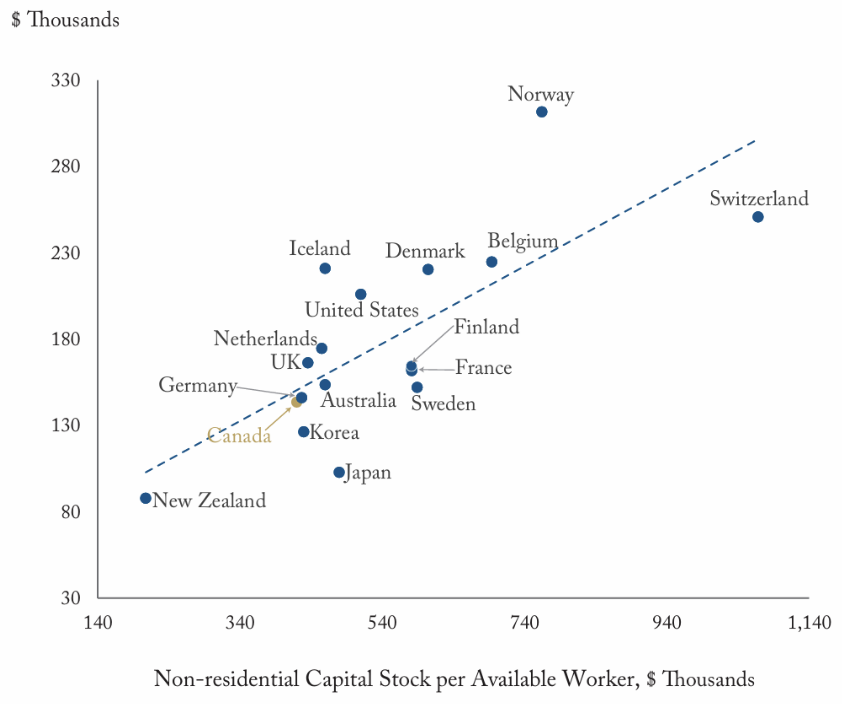

## Business investment per worker, 1991-2024
Thousands of dollars




Source: William Robson and Bafale, Mawakina. 2024. "Underequipped: How Weak Capital Investment Hurts Canadian Prosperity and What to Do about It". C.D. Howe Institute Commentary 666

# Canada's weak business investment is correlated with low GDP per worker relative to peer economies

## GDP and non-residential capital stock per worker, various countries, 2024




Source: William Robson and Bafale, Mawakina. 2024. "Underequipped: How Weak Capital Investment Hurts Canadian Prosperity and What to Do about It". C.D. Howe Institute Commentary 666

# Why supply conditions matter for housing policy impacts

- If housing supply is inelastic (i.e., not responsive) → home prices will rise
- If housing supply is elastic (i.e., responsive) → higher home prices can encourage increased building, raising housing stock.
- Many major Canadian cities face significant supply constraints, and available international estimates* suggest Canada's housing supply is far less responsive than in countries like the U.S., Sweden, Denmark, Portugal.
- This presents a key risk: many bespoke housing policies that support home buyers will raise demand, and in turn, largely raise prices, more so than home ownership.

*Source: Bétin and Ziemann, (2019)

# First Home Savings Account

# First Home Savings Account Background

**International Evidence**

- Demand-side housing subsidies are often capitalized into higher home prices
- Effects depend critically on housing supply responsiveness
- Distributional gains are frequently skewed toward sellers via higher home prices, and toward higher-income or marginal buyers, whereas younger and lower-income households may see limited gains
- UK, Australia, New Zealand policies suggest that rising price effects often offset intended affordability gains

Sources: OECD 2022, OECD Tax Policy Studies, No. 29, Housing Taxation in OECD Countries

# First Home Savings Account Background cont’d

**First Home Savings Account (FHSA) Creation, Purpose and Goals**

- Proposed in Budget 2022 and launched on April 1, 2023
- Designed to help Canadians save for the down payment of their first home
- Contributions are tax-deductible, and investment income/withdrawal to purchase a home are non-taxable
- *“Our government believes that everyone should have an affordable place to call home, and we are focused on building more homes and making housing more affordable across the country. For too many Canadians, saving for that first down payment seems impossible and out of reach. That is why we… are delivering on the new tax-free First Home Savings Account — a key part of our plan to put homeownership back within reach of Canadians and to help Canadians save for their first home.”*
  The Honourable Chrystia Freeland, Deputy Prime Minister and Minister of Finance, 2023

Sources: Department of Finance Canada, 2023, Canadians can save for their first home with new tax-free First Home Savings Account

# First Home Savings Account Background cont'd

**FHSA Goals cont'd**

- *"The Tax-Free First Home Savings Account is a powerful financial tool that supports generational fairness by putting the homeownership opportunities that have been available to generations of Canadians back within reach of young Canadians today."*
  - Department of Finance Canada
- *"For too many Canadians the dream of owning their first home is slipping further out of reach. That's why our government is introducing the First Home Savings Account, a tax-free account for aspiring homeowners to save for the home of their dreams."*
  - The Honourable Sean Fraser, Minister of Housing, Infrastructure and Communities
- Maximum contribution of $8,000 per year, starting the first year the account is opened. Unused contribution room can be carried forwards, up to a life-time maximum contribution limit of $40,000.

Sources: Department of Finance Canada, 2023, Canadians can save for their first home with new tax-free First Home Savings Account

# First Home Savings Account Background cont'd

## FHSA Eligibility & Procedure

- Requirements to open an FHSA:
    - Age 18-71 years old as of December 31st of the year you open your FHSA
    - Resident of Canada
    - Did not live in a qualifying home (or what would be a qualifying home if located in Canada) as your principal place of residence that you, your spouse or common-law partner owned or jointly owned during this calendar year or in the previous 4 calendar years (past 5 years, inclusive), or do not have a spouse or common-law partner at the time you open the account
- Within 15 years of opening an FHSA, you must either withdraw the balance to purchase a house, or transfer the balance to an RRSP
- Transferring your FHSA balance to an RRSP does not affect your RRSP contribution room

Sources: Department of Finance Canada, 2023, Canadians can save for their first home with new tax-free First Home Savings Account

# First Home Savings Account Background cont’d

**Canadian Response To FHSA:**

- By November 2024, approximately 1 million Canadians had opened a FHSA
- In 2024 tax claims, 2.6% of all returns filed claimed the FHSA deduction
- Early program data show uneven uptake and FHSA contributions rising with both income and age
- FHSA uptake also tends to rise with average home prices by province, as higher prices mean a larger down payments are required.

# FHSA early uptake: Key program statistics

**$2.79 Billion**
**Total value of active accounts**

**$3,899**
**Average balance**
**for active FHSA holders**

**739,000**
**Individuals**
**opened an FHSA***

**1.5%**
**Of all tax returns**
**filed in 2023 claimed the FHSA deduction**

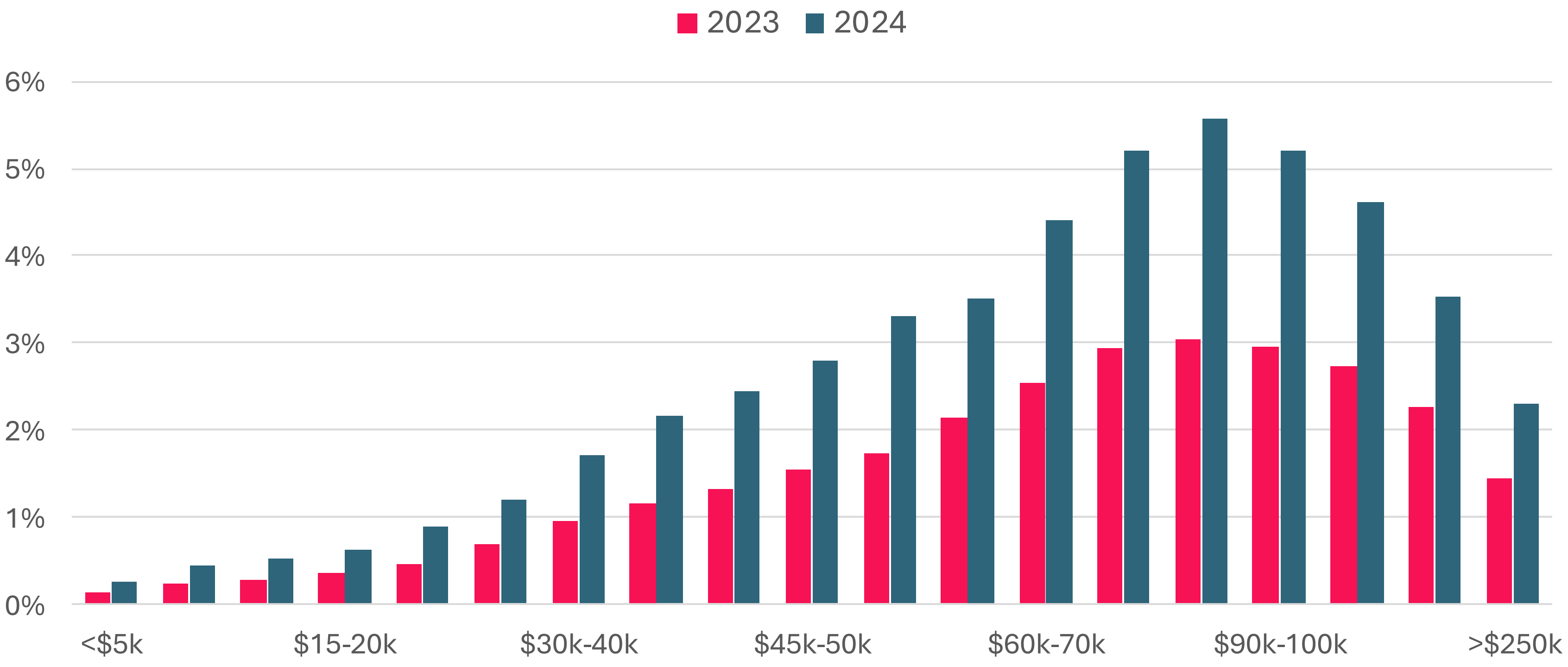
**As of December 31, 2023**

**Note: First Home Savings Account only became available on April 1, 2023**

Source: FHSA statistics (Canada Revenue Agency). *Finance Canada reports that, by November 2024, “nearly 1 million Canadians” had opened a FHSA.

# FHSA use was higher than average for those with annual incomes of $45k to $250k

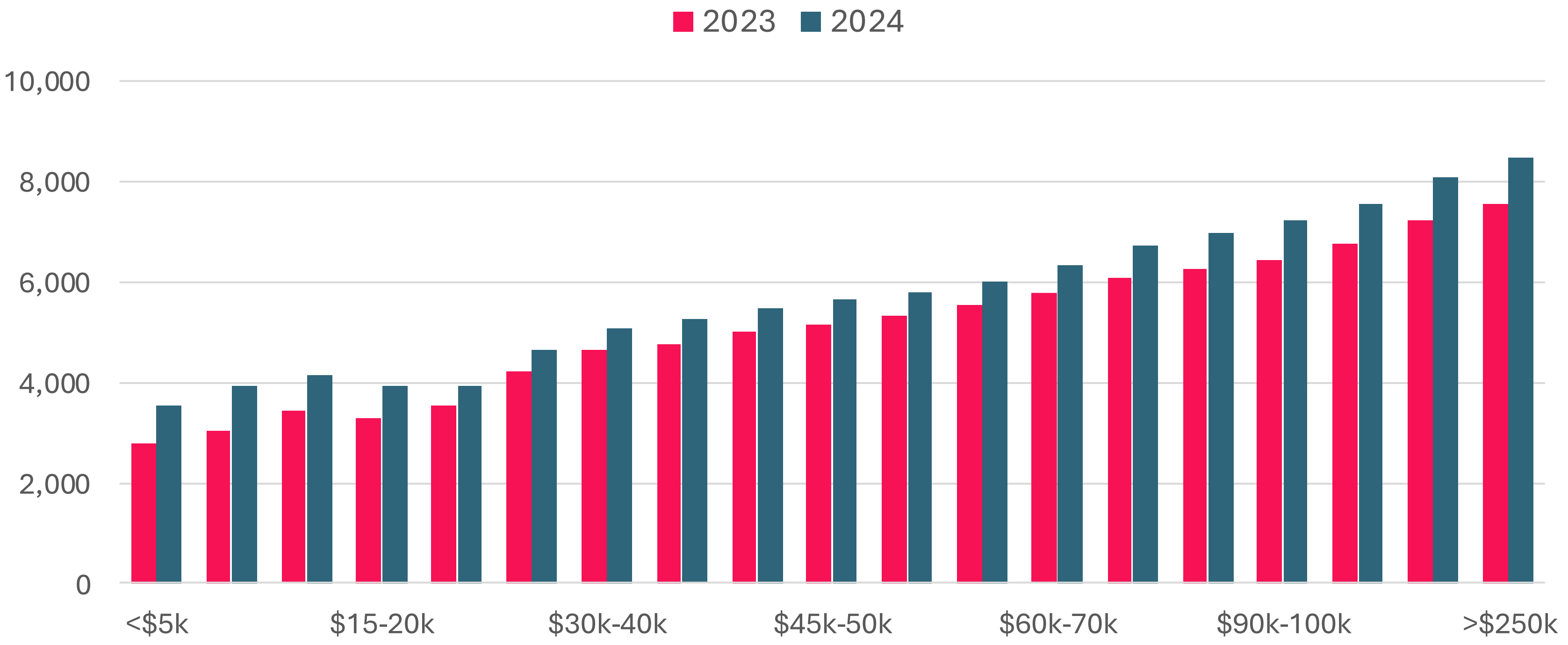
## Share of taxfilers claiming FHSA deduction, by income group, 2023 and 2024




Source: Calculations from CRA, Individual Income Tax Return Statistics (2023, 2024 tax year)

# Average FHSA contributions rise steadily with incomes

## Average value of FHSA deduction claimed, by income group, 2023 and 2024




Source: Calculations from CRA, Individual Income Tax Return Statistics (2023, 2024 tax year)

# Higher income Canadians contribute more to FHSA accounts on average

## FHSA Contributions by Income, 2023

| | FHSA contributors | Total FHSA contributions | Average contributions |
|---|---|---|---|
| | Number | Thousands of dollars | Dollars |
| All tax filers | 456,220 | 2,659,602 | 5,830 |
| Less than $20,000 | 17,760 | 56,638 | 3,189 |
| $20,000 to $39,999 | 54,670 | 239,133 | 4,374 |
| $40,000 to $59,999 | 90,940 | 481,246 | 5,292 |
| $60,000 to $79,999 | 102,280 | 605,986 | 5,925 |
| $80,000 and over | 190,600 | 1,276,598 | 6,698 |

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

# Higher income Canadians contribute more to FHSA accounts on average

## FHSA Contributions by Income, 2024

| | FHSA contributors | Total FHSA contributions | Average contributions |
|---|---|---|---|
| | Number | Thousands of dollars | Dollars |
| All tax filers | 834,360 | 5,406,758 | 6,480 |
| Less than $20,000 | 32,170 | 125,706 | 3,908 |
| $20,000 to $39,999 | 98,270 | 473,630 | 4,820 |
| $40,000 to $59,999 | 162,020 | 932,691 | 5,757 |
| $60,000 to $79,999 | 185,470 | 1,210,047 | 6,524 |
| $80,000 and over | 356,440 | 2,664,684 | 7,476 |

Source: Calculations from CRA, Individual Income Tax Return Statistics (2024 tax year)

# Average FHSA contributions also rise with age

## FHSA Contributions by Age, 2023

| | FHSA contributors | Total FHSA contributions | Average contributions |
|---|---|---|---|
| | Number | Thousands of dollars | Dollars |
| All tax filers | 456,220 | 2,659,602 | 5,830 |
| Less than 25 years old | 79,220 | 399,702 | 5,045 |
| 25 to 34 years | 267,050 | 1,583,035 | 5,928 |
| 35 to 44 years | 81,580 | 498,570 | 6,111 |
| 45 to 54 years | 19,970 | 123,042 | 6,161 |
| 55 to 64 years | 6,930 | 45,254 | 6,530 |
| 65 years old and above | 1,420 | 9,739 | 6,858 |

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

# Average FHSA contributions also rise with age

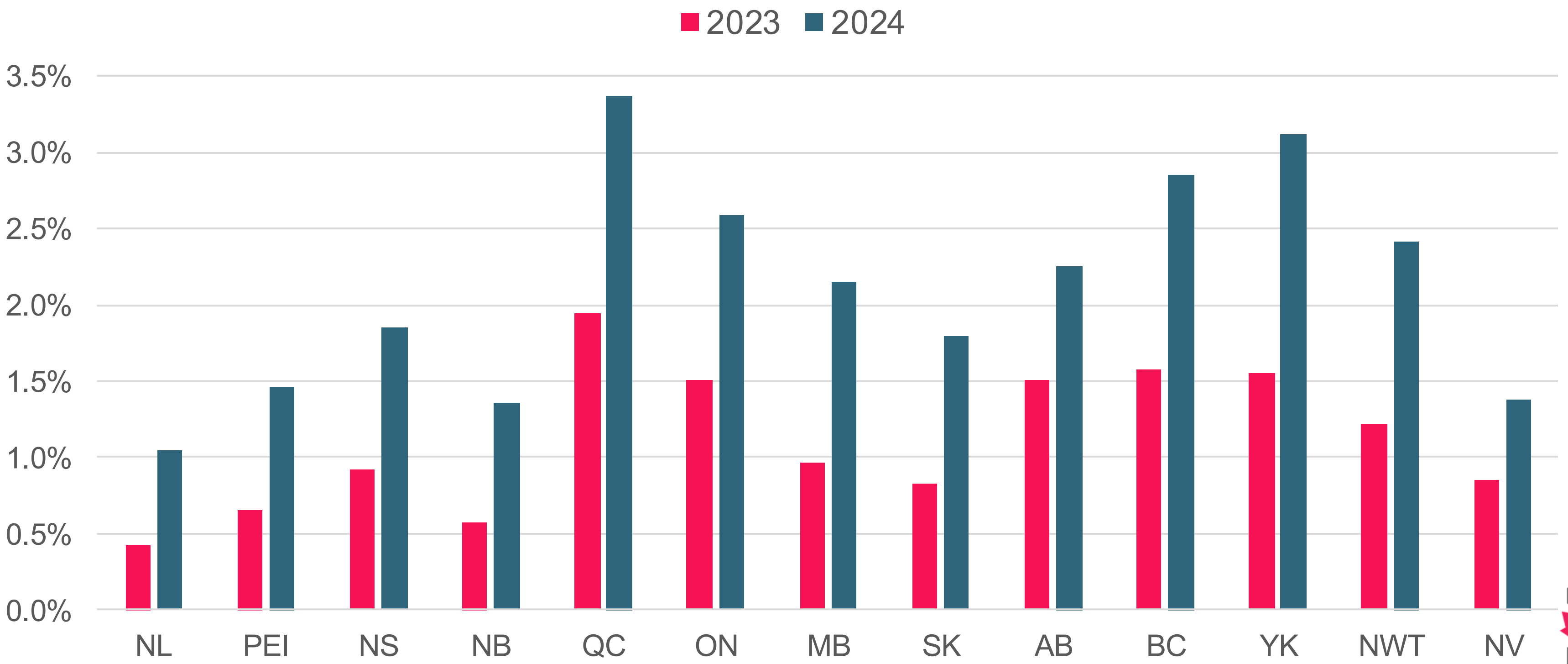
## FHSA Contributions by Age, 2024

| | FHSA contributors | Total FHSA contributions | Average contributions |
|---|---|---|---|
| | Number | Thousands of dollars | Dollars |
| All tax filers | 834,360 | 5,406,758 | 6,480 |
| Less than 25 years old | 141,350 | 795,405 | 5,627 |
| 25 to 34 years | 469,000 | 3,117,479 | 6,647 |
| 35 to 44 years | 164,630 | 1,097,888 | 6,669 |
| 45 to 54 years | 43,520 | 283,927 | 6,524 |
| 55 to 64 years | 13,140 | 91,861 | 6,991 |
| 65 years old and above | 2,710 | 20,200 | 7,454 |

Source: Calculations from CRA, Individual Income Tax Return Statistics (2024 tax year)

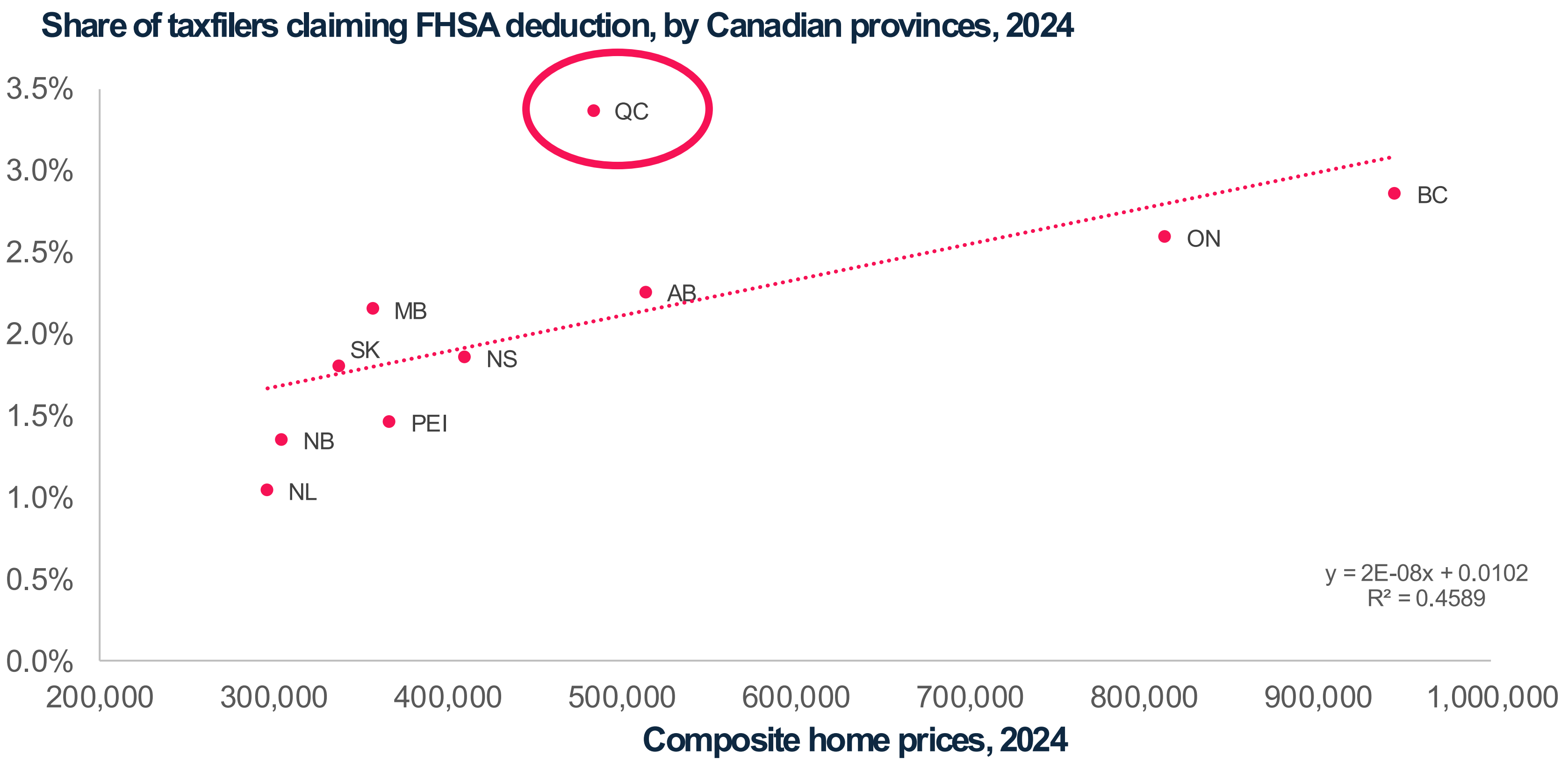
# FHSA use was highest in Quebec; lowest in Atlantic Canada

## Share of taxfilers claiming FHSA deduction, by Canadian provinces and territories, 2024




Source: Calculations from CRA, Individual Income Tax Return Statistics (2023, 2024 tax year)

# FHSA uptake generally rises with average home prices; but Quebec is an outlier with strong take up

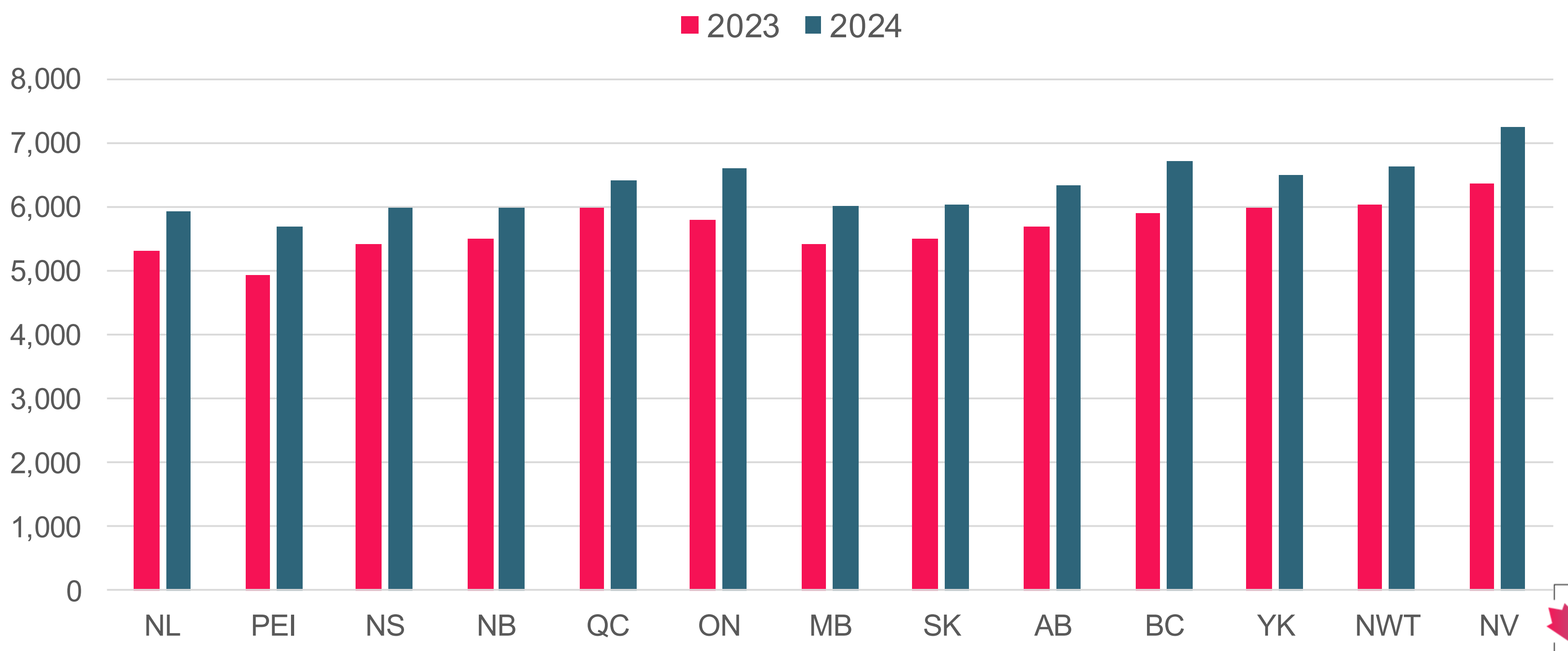



Source: Calculations from CRA, Individual Income Tax Return Statistics (2024 tax year); Canadian Real Estate Association

Note: Relationship is descriptive and does not imply causality. Manitoba housing prices are for Winnipeg only

# Average FHSA contributions were highest in territories; lowest in Atlantic Canada

## Average value of FHSA deduction claimed, by Canadian provinces and territories, 2024




Source: Calculations from CRA, Individual Income Tax Return Statistics (2023, 2024 tax year)

# Fiscal Costs

# Initial PBO fiscal cost estimates

## Back in 2022, before program implementation, PBO estimated the FHSA would result in foregone tax revenue of $800 million in 2026

### Estimated foregone personal income tax revenue, by fiscal year
### Millions of current dollars

| | 2023-2024 | 2024-2025 | 2025-2026 | 2026-2027 | Total |
|---|---|---|---|---|---|
| Tax-Free First Home Savings Account | 731 | 771 | 813 | 877 | 3,192 |

Note: People may redistribute their funds into different savings accounts, i.e from an RRSP to FHSA. This does not impact foregone personal income tax revenue.

Source: Parliamentary Budget Office, Tax-Free First Home Savings Accounts, Legislative Costing Note, May 2022

# Federal fiscal costs

## With program implementation underway, Finance Canada now estimates the FHSA will result in nearly $1.4 billion in foregone federal personal income tax revenue in 2026 and $1.6 billion in 2027…

### Estimated foregone personal income tax revenue, by fiscal year
### Millions of current dollars

| | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|
| Tax-Free First Home Savings Account | 545 | 1,110 | 1,250 | 1,410 | 1,585 |

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

# Provincial fiscal costs

## In addition to federal costs, the largest provinces estimate they will forego significant revenue due to the FHSA, which raises the total fiscal cost to over $1.6 billion in 2025.

### Estimated foregone personal income tax revenue, by fiscal year
### Millions of current dollars

| | 2023 | 2024 | 2025 |
|---|---|---|---|
| Tax-Free First Home Savings Account | | | |
| Federal | 545 | 1,110 | 1,250 |
| Ontario | | 185 | 240 |
| Quebec | 101 | 130 | 140 |
| **Total published estimates** | **646** | **1,425** | **1,630** |

Note: There are a wide variety of tax preferences at the provincial level for housing, including first-time home buyers, and much more, which are not captured here.

Source: Finance Canada, Tax Expenditures and Evaluations (2026). Ontario 2025 Fall Statement | Taxation Transparency Report, 2025 and 2024. Quebec Dépenses fiscales - Édition 2024

# Moreover, the FHSA is only one of nine federal housing tax expenditures that will collectively reduce federal income tax revenue by $17.0B in 2027...

## Estimated foregone personal income tax revenue, by fiscal year. Millions of current dollars

| | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|
| Non-taxation of capital gains on principal residences | 7,565 | 7,460 | 8,170 | 8,545 | 9,420 |
| Exemption from GST for certain residential rent | 2,440 | 2,590 | 2,770 | 2,910 | 2,995 |
| **Tax-Free First Home Savings Account** | **545** | **1,110** | **1,250** | **1,410** | **1,585** |
| Enhanced rebate for new residential rental property | | 20 | 520 | 960 | 1,205 |
| First-Time Home Buyers' GST Rebate | | | 110 | 590 | 895 |
| Rebate for new residential rental property | 270 | 305 | 360 | 420 | 345 |
| First-Time Home Buyers' Tax Credit | 220 | 235 | 230 | 240 | 250 |
| Accelerated capital cost allowance for purpose-built rental housing | | | 11 | 84 | 230 |
| Rebate for new housing | 85 | 85 | 75 | 70 | 70 |
| **Total housing tax relief** | **11,125** | **11,805** | **13,496** | **15,229** | **16,995** |

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

# By far the largest is untaxed capital gains on principal residences, representing more than half of the federal housing tax expenditures, while the FHSA accounts for almost 10%.

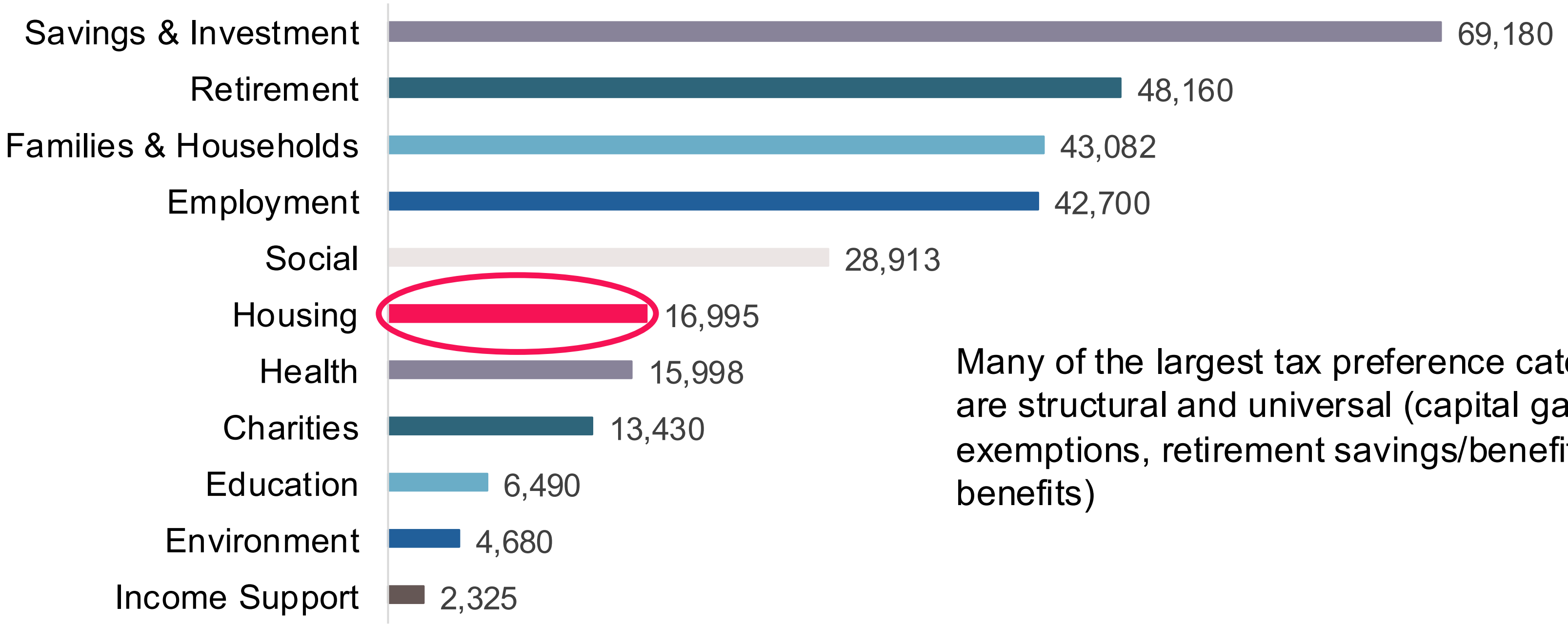
## Estimated foregone personal income tax revenue, by fiscal year
## Millions of current dollars

| | 2027 | Share of housing tax 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 rental housing | 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)

**Putting Canadian Housing Tax Relief Into Context:** Taken together housing tax preferences are larger than health, charities, education, environment, and income support. The areas where the tax system is more generous include savings and retirement, families and employment.

## Canadian Federal Tax Expenditures 2027, by Area
## Millions of current dollars




Many of the largest tax preference categories are structural and universal (capital gains exemptions, retirement savings/benefits, child benefits)

Source: Finance Canada, Tax Expenditures and Evaluations (2026). * See next slide for sector details

# Key Takeaways

- **Neutrality principle**: Housing should not receive systematically more generous tax treatment than productive capital.
- Tax-favoured policies that **increase housing demand risk** raising home prices in supply-constrained context, **exacerbating affordability problems.**
- **Distributional effects matter**, not just averages across the population.
- **System perspective:** FHSA should be viewed and evaluated as part of larger system of policies and tax distortions in Canada's housing market.
- In softer housing markets, such policies may slow price declines rather than raise prices, but still risk misallocating capital and public funds.

# First-Time Homebuyers

# Homebuyers Family Support

## Family Support for Homebuyers

- Statistics Canada's 2023 *Survey of Financial Security* provides insight into the homebuying landscape
- In 2021, **Canadians born in the 1990s whose parents were homeowners were twice as likely to own a home** than Canadians whose parents were non-homeowners
- **37% of homeowners under age 35 received an inheritance or family support for the explicit purpose of purchasing a home**
- For families who rent, and whose primary earner was under 35, if they were to liquidate all available financial assets to buy a home, they would still need an additional median amount of $80,000 to make a 20% downpayment
- Under the same circumstances, families aged 35 – 44 would fall short of a 20% downpayment by a median amount of $97,000

Source: Statistics Canada, 2025, Familial support in entering the Canadian housing market

# First-Time Homebuyers

- CMHC's latest *Mortgage Consumer Survey* was conducted in January 2025 interviewing 3,968 individuals involved with a mortgage transaction over the previous 18 months

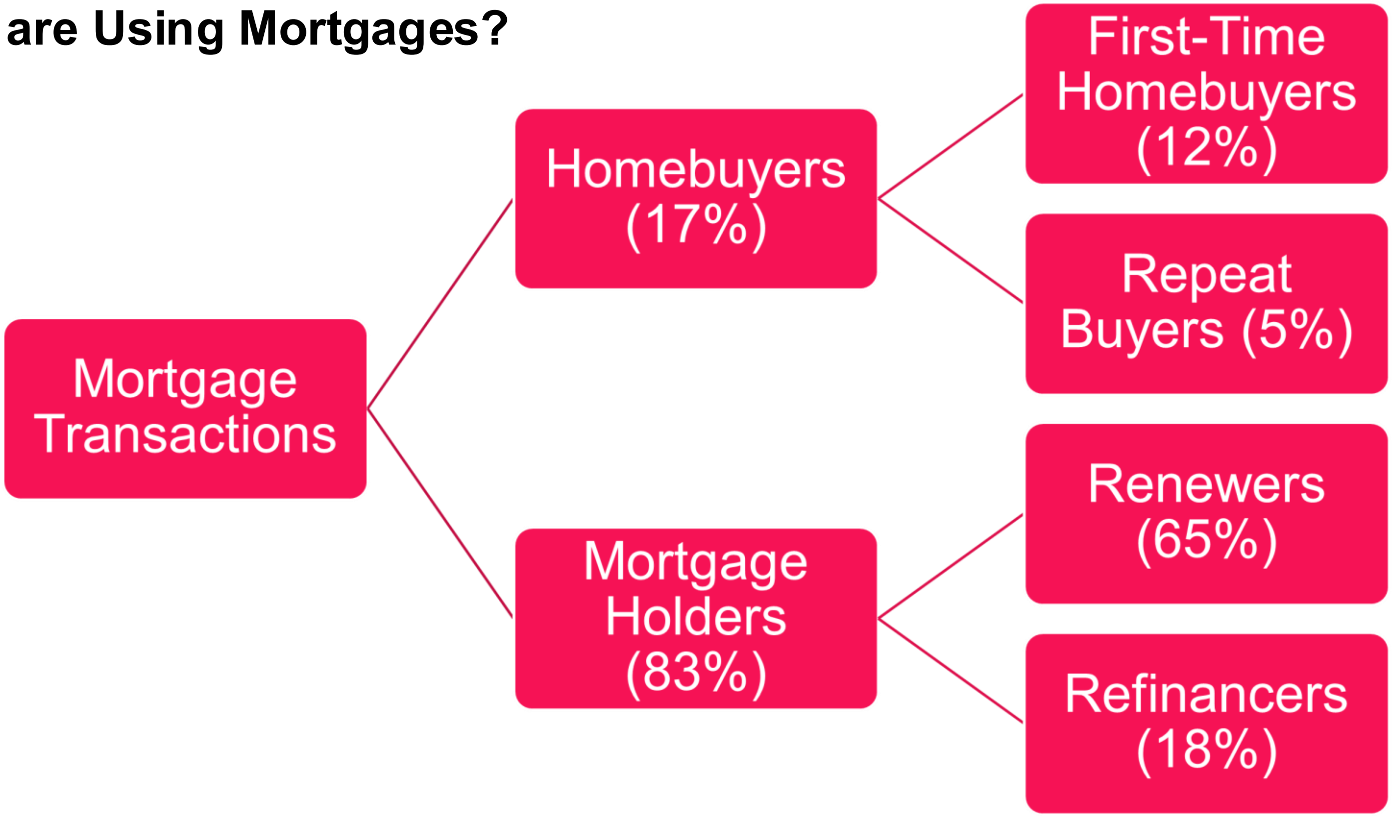
- Participants were categorized into the following demographics:
    - Homebuyers: Split into: 1) First-Time Buyers; and 2) Repeat Buyers
    - Mortgage Holders: Split into: 1) Renewers; and 2) Refinancers

- **First-Time Homebuyers comprised** 12% of the survey participants, up from 10% in 2024, and **71% of the total homebuyers using the FHSA in 2025**

Source: CMHC, 2025, Mortgage Consumer Survey

# Mortgage Transaction Composition

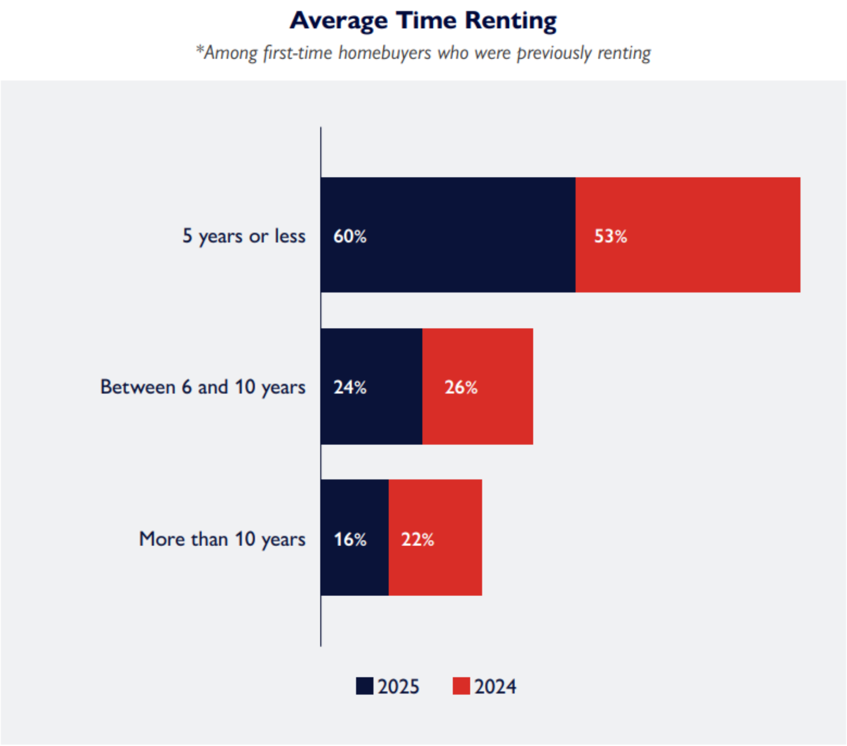
## Who are Using Mortgages?




Source: CMHC, 2025, Mortgage Consumer Survey

# First-Time Homebuyers cont’d

## First-Time Homebuyers Rent for an Average of 6.3 Years Prior to Their Purchase




Source: CMHC, 2025, Mortgage Consumer Survey

# First-Time Homebuyers Downpayments

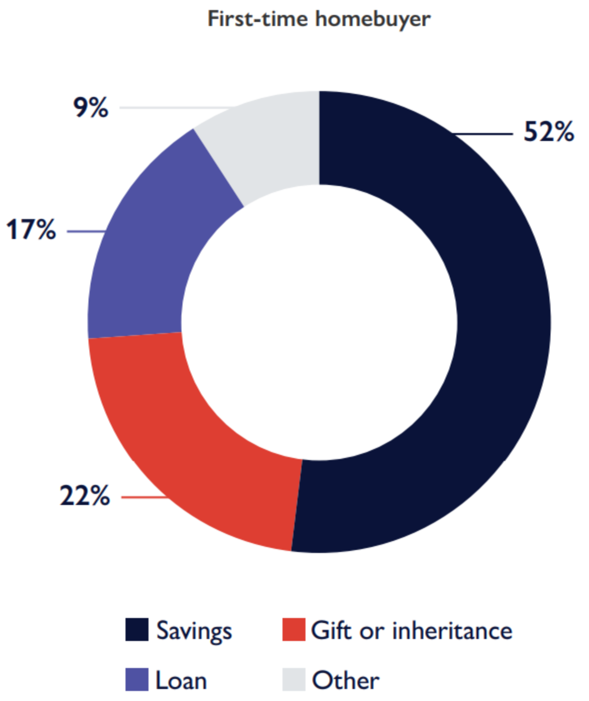
## Downpayment Sources

- First-Time Homebuyers (FTHBs) took an average of 3.7 years to save for a downpayment
- For FTHBs, the sources for these downpayments were:
  - Gifts: Used by 41% of FTHB's
  - Non-RRSP Savings: Used by 39% of FTHB's
  - FHSA Savings: Used by 38% of FTHB's
- The average gift amount for First-Time Homebuyers was $74,570, with 22% of FTHBs reporting gifts/inheritance as their largest contributor for their downpayments
- Among the First-Time Homebuyers who received a gift, over 20% said they otherwise would not have been able to purchase their home

Source: CMHC, 2025, Mortgage Consumer Survey

# First-Time Homebuyers Downpayments cont'd

## Largest Contributor for Down Payment




Source: CMHC, 2025, Mortgage Consumer Survey

# First-Time Homebuyers Mortgages

**Parental Co-signing**

- However, the most impactful way parents are helping FTHB’s is by co-signing their children’s mortgages
- **13% of FTHB mortgages in 2022 had parental co-signing, up from 4% in 2004**
- Of these FTHB’s who had their parents co-sign, 74% of them were constrained buyers, that is they would otherwise have not been able to afford their home
- For constrained buyers, without parental co-signing their homes would need to have been 37% cheaper on average
- Without parental co-signing, the mean additional downpayment required for the mortgage is $203,430, and the median additional payment is $158,235

Source: Bank of Canada, 2024, Housing Affordability & Parental Income Support

# First-Time Homebuyers Mortgages cont’d

**Parental Co-signing cont’d**

- The benefits of parental co-signing go beyond mortgage approval
- Compared to FTHB’s without parental co-signing, those with parental co-signing were:
  - 5 years younger (minimum age of 28 as compared to 33)
  - Purchased homes that were $34,000 more expensive on average (average price of $527,000 as compared to $493,000)
  - Had lower credit scores (average score of 750 as compared to 778)
  - Had larger mortgage payments, particularly for constrained buyers
- 65% of FTHBs paid the maximum price they could afford for their homes

Source: CMHC, 2025, Mortgage Consumer Survey. Bank of Canada, 2024, Housing Affordability & Parental Income Support

# First-Time Homebuyers Mortgages cont'd

## Trouble for First-Time Homebuyers

- The aid of gifts, parental co-signing and housing tax relief still hasn't been enough for many would-be First-Time Home Buyers
- 17% of First-Time Home Buyers have missed a mortgage payment in the first 18 months, and 60% have difficulties maintaining debt payments
- Over a quarter (26%) of these individuals use one credit resource to pay off another
- For parental co-signing, this raises an issue as any co-signee is equally responsible for paying off the debt, and if one co-signee doesn't pay the mortgage, then the mortgage lender can demand that any co-signee pay the entire amount

Source: CMHC, 2025, Mortgage Consumer Survey. Bank of Canada, 2024, Housing Affordability & Parental Income Support

# Thank You

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# Annex

# Illustrative timeline of major federal housing policies in Canada

**1972**
**Principal residence capital gains exemption**
•Capital gains on primary residences made fully exempt
•Core, long-standing tax preference for owner-occupied housing

**1992**
**Home Buyers' Plan (HBP)**
•RRSP withdrawals for home purchases (repayable)
•Demand-side support for first-time buyers
•Expanded multiple times over its implementation

**1998–2000**
**GST/HST New Housing Rebate**
•Partial rebate on GST/HST for new homes and major renovations
•Lowers effective tax on new housing supply (and indirectly demand)

**2009**
**First-Time Home Buyers' Tax Credit (FTHBTC)**
•Non-refundable income tax credit
•Modest fiscal cost; symbolic entry support

**2019**
**First-Time Home Buyer Incentive (FTHBI)**
•Shared-equity mortgage program
•Limited uptake; aimed at affordability

**2022**
**Anti-flipping tax**
•Homes sold within 12 months taxed as business income
•Intended to discourage short-term speculation

**2023**
**First Home Savings Account (FHSA)**
•Tax-deductible contributions; tax-free withdrawals
•Lifetime contribution limit of $40,000
•Major new tax-preferred savings vehicle

**2024**
**FTHBI wound down**
•Program closed to new applications
•Shift away from shared-equity approaches

Structural measures | Demand | Disciplining

# Residential versus Business Investment

Canada's national accounts treats residential housing as an investment like business capital, as both are competing uses for national savings. Tax policy can treat these investments quite differently and may bias investment toward housing and away from business capital, with important consequences for capital allocation, productivity, affordability and inequality.

| | Residential investment | Business investment |
|---|---|---|
| **"Output"** | Produces housing services (imputed rent) | Produces market output |
| **Tax treatment** | | |
| **Income taxation** | Imputed rent is untaxed | Revenues are subject to corporate income tax |
| **Capital gains** | Exempt on primary residences | Mostly taxed |
| **Depreciation** | Implicit; Mortgage interest not deductible | Deductible (capital cost allowance) |
| **Subsidies** | Various tax measures | Investment tax credits |
| **Policy intent** | Social; etc. | Productivity; etc. |

# FHSA data sources

- **Canada Revenue Agency** (income tax filings)
- **Statistics Canada** (income tax filings)
- **Finance Canada** (tax expenditures and evaluations)
- **Canada Mortgage and Housing Corporation** (Mortgage Consumer Survey)