



October 3, 2024

The Hon. Sean Fraser, P.C., M.P.
Minister of Housing, Infrastructure & Communities
House of Commons
Ottawa, Ontario K1A 0A6

The Hon. Chrystia Freeland, P.C., M.P.
Deputy Prime Minister & Minister of Finance
House of Commons
Ottawa, Ontario K1A 0A6

Dear Ministers Fraser and Freeland,

Further to discussions CHBA has had with Minister Fraser on this topic, we wanted to provide you the costing data that you requested (and the potential to increase GST revenue for the government) for our recommendation to index the New Housing GST Rebate to reflect today's house prices. There are few measures that can actually reduce the costs of new housing for Canadians immediately, but this is one, and it is 100% within the government's control. Adjusting the GST thresholds would reduce costs to new home buyers, improving affordability and encouraging more supply. And, very importantly, it would not cost the government tax revenue—the government would stand to increase GST revenue through more housing construction.

As you know, the thresholds haven't changed since the introduction of the GST in 1991, despite the fact that they were to be indexed with inflation. Since then, house prices have more than doubled. Our simple recommendation has been to therefore double the thresholds to support affordability, housing supply, and fairness to the current and future generations of homebuyers. And while the simpler approach is to double the thresholds, it would be much more appropriate to adjust the thresholds according to house prices in each market, so that entry-level houses in every market, including our largest cities, would be eligible for the rebate.

For the purposes of assessing the potential increase in GST revenues, we can look at a simple doubling of the thresholds, which would move the thresholds for the rebate from \$350k (upper limit for full rebate of 36% of the GST owed) and \$450k (upper limit for any rebate) to \$700k and \$900k respectively. A more





nuanced indexing would have it higher for regions like the GTA (e.g. \$1M and \$1.2M), while other regions would be closer to doubling, and some would be less.

Irrespective of the approach, the concern from officials with correcting the thresholds to reflect today's housing prices, and create fairness for the next generation of home buyers, has always been that it will cost the government money in terms of lost GST revenue. And that would indeed be true if the assumption was that we will continue to build the same number of houses. However, adjusting the GST thresholds can be an important part of improving affordability and enabling more supply, along with actions the government has already taken and CHBA's suite of other policy recommendations to support affordability and supply. With more supply comes more GST revenue, and that is how the GST updating should be assessed.

Based on the GST data available for 2022, a year where we had 271,000 housing starts, CHBA estimates that net revenue for the GST to the government was \$5.05 billion (total GST payable minus GST rebates). If the GST thresholds were doubled and starts remained the same, the foregone revenues would be over just over \$760 million. However, the government has committed to increasing housing starts (indeed, to more than doubling them), and therefore ***GST revenues will actually not go down but increase.***

As we look at increasing housing starts then, by CHBA estimates, **it would only take an increase in housing starts of 18 percent to cover the foregone revenue from doubling of the GST thresholds**, meaning net GST revenues would remain the same, while many more buyers enter the market, continuing to drive more construction and supply. Carrying on from there towards the government's higher targeted housing starts, even with thresholds doubled, **an increase of 50 percent in housing starts would see net revenue for GST increase of \$1.4 billion. Doubling housing starts would increase net GST revenue by 3.5 billion.**

Therefore, updating the GST thresholds is not only fair for the next generation of home buyers, but by contributing to improving affordability and driving more supply, it will actually help to increase GST revenue for the government.

It is encouraging that the government is seeking more information on CHBA's long-held recommendation to index the New Housing GST Rebate to reflect today's house prices, especially at a time of peak housing affordability challenges. Should you or your departments have more questions on CHBA's figures, please contact Nicole Storeshaw, Director, Government Relations at nicole.storeshaw@chba.ca or 613-230-3060 ext. 241.





Sincerely,

Kevin Lee, P.ENG., M.ARCH.
CEO, CHBA

