

Written Submission for the Consultation on the Taxation of Vacant Lands



Canadian
Chamber of
Commerce Chambre de
Commerce
du Canada

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Introduction

The Canadian Chamber of Commerce welcomes the opportunity to provide a submission as part of the Department of Finance's consultation on the Taxation of Vacant Lands.

In the interest of housing availability and affordability for all Canadians, the Canadian Chamber of Commerce launched the **Housing and Development Strategy Council** in 2023. This Council is composed of a diverse array of industry leaders from across the country looking to ensure that federal policies reflect business realities and create an environment where we can build homes more quickly and affordably. We consulted with those industry experts to gather their perspectives and recommendations on this matter.

Simply put, imposing an additional tax on developers who are expected to deliver an unprecedented number of homes in response to a historic housing affordability crisis is a fundamental misunderstanding of the problem our country is facing.

At the Canadian Chamber, we have been unequivocal in urging the federal government to eschew tax-and-spend policies that burden Canadian families and businesses, and instead take bold steps to restore our economic prosperity. Newly announced housing measures in the **Fall Economic Statement** do not address the fundamental issue; we need to significantly increase housing supply, and those efforts are already being constrained by taxes and fees, which already represent as much as 36 percent of the purchase price of a home.

Per the **Canada Mortgage and Housing Corporation**, "Canada has built a structural deficit in housing supply that can only be remedied through extensive investment by the private sector. With the private sector providing roughly 95 per cent of housing in Canada, this is especially true to address the affordability challenges of the middle-class, whether for rental or for ownership."

The last thing our governments should be exploring is the opportunity to layer on an additional tax that will further limit developers' ability to access the capital they need to invest in building as much housing as possible, and ultimately compound the burden of taxes and fees that drive up the cost of housing that will be paid by Canadian families. Instead, we need all levels of government working together toward removing restrictions and creating incentives to **unlock private sector investment** rather than chase it away with yet another tax.

We hope that you will acknowledge the additional burden a vacant lands tax would place on those who hold the key to delivering housing, and not proceed with another tax that will jeopardize their ability to build the homes Canadians need.

About the Canadian Chamber of Commerce

The Canadian Chamber of Commerce is Canada's largest and most activated business network — representing 400 chambers of commerce and boards of trade and more than 200,000 businesses of all sizes, from all sectors of the economy and from every part of the country — working to drive change, partner broadly and be the undisputed champion and catalyst for the future of business success. Our vision is to build a Canada of thriving business opportunity, a strong economy, and a better life for all.



Questions

- 1. What are your thoughts on a vacant land tax potentially applying in your community? Do you believe it would be an effective policy to incentivize housing development? Why or why not? Do you foresee potential drawbacks or unintended consequences that should be considered?**

Home builders across the country face a range of obstacles that impact their costs and timelines, many of which have become increasingly challenging over recent years, such as skyrocketing construction costs, time-consuming permitting and rezoning processes, high development cost charges, as well as a shortage of skilled labour. Many of these issues contribute to a lack of available capital to invest in building more housing.

A vacant land tax would not be an effective policy to incentivize development; quite the opposite. Yet another tax would only serve to penalize developers from coast to coast to coast who are working to get the most out of the resources at their disposal and planning how to most effectively contribute to long-term growth in housing supply. Rather than promote development, a new tax could potentially lead to rushed or suboptimal projects, or even deter developers from making the investments we need to see to restore housing affordability.

Instead of proposing another tax that will drive up the cost of housing for Canadians, the Department of Finance should be looking at how to best use the levers at its disposal to drive investment and support sustainable development.

- 2. Are there reasons that may help explain why some vacant land is not being actively developed in your community? If you currently own land that may reasonably be considered to fall within the proposed criteria (i.e., vacant, residentially or mixed-use zoned, serviceable, and physically developable) and you are not actively developing it nor applying for permits to develop it, why is this the case?**

To navigate the aforementioned combination of challenges while building complex, large-scale housing projects, strategic planning becomes crucial, and that includes the proactive acquisition of land for future construction. Associating that approach with engaging in speculation or purposefully withholding supply in an unfair characterization given that:

- Each new development involves significant costs. As builders face financing challenges due to high interest rates, tightened lending requirements, delayed development timelines and rising holding costs, it becomes more difficult to secure necessary capital for projects. It's also not feasible to develop all sites simultaneously (particularly for smaller companies with limited financial and operational capacity).
- Some of the land that has been proactively acquired is located in areas that are not yet suitable for development, often lacking the necessary infrastructure, such as utilities, roads, and public services, or the population to sustain new housing projects. Developing these areas prematurely could result in low demand and underutilized



housing, ultimately leading to budgetary impracticality, unsustainable growth, and poor community planning.

These factors underscore the complex considerations (an alignment of market demand, infrastructure development, and organizational readiness) that must be considered before a project begins. External pressures such as a vacant land tax would create additional financial strain and result in inefficient resource allocation, jeopardizing long-term development capacity and community needs.

3. Are there considerations or circumstances that you feel should warrant special attention?

The tax and fee burden on a newly constructed home continues to increase and has jumped to as much as 36 per cent of the purchase price, according to a [recent report](#) by the Canadian Centre for Economic Analysis. Imposing a vacant land tax would be a further escalation resulting in substantial challenges to housing affordability.

The Department of Finance should not proceed with imposing a vacant lands tax, and instead shift focus towards addressing systemic housing barriers such as lengthy rezoning and permitting processes, capital constraints, and labour shortages, to support the creation of much needed supply.

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