

Written Submission for the Consultation on Removing the GST on Student Residences



Canadian
Chamber of
Commerce
Chambre de
Commerce
du Canada

January 2025



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.

Introduction

The Canadian Chamber of Commerce welcomes the opportunity to contribute to the Department of Finance's consultation on Removing the GST on Student Residences.

In the interest of housing 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.

With increased interest rates, significant tax and fee burden (which already represents as much as 36 percent of the purchase price of a home according to a [recent report](#) by the Canadian Centre for Economic Analysis), a shortage of skilled labor, a lack of materials, and challenges to secure capital, the residential construction industry faces mounting pressures.

These systemic barriers increase the costs associated with development, contributing to a lack of available capital to invest in building more housing, thereby limiting the capacity to deliver the much-needed housing that Canadians desperately need.

Recommendation

While incentivizing the construction of student housing (along with the new purpose-built rentals, co-operative housing, and senior residences) is a step in the right direction that demonstrates a proactive effort to expand housing supply across the continuum, the narrow focus of this initiative presents a missed opportunity to free up more capital to build enough new homes to significantly improve housing affordability.

Canada's housing market is extremely undersupplied. According to the [Canada Mortgage and Housing Corporation](#), we need to build 3.87 million new homes by 2031 to restore affordability, in addition to what Canada is already on track to build; this is expected to cost roughly \$1 trillion.

The government alone will never come close to meeting the scale of investment required to do so — nor should it. However, it can enable home builders to access the capital they need to invest in building as much housing as possible.

Current government regulations and taxes are discouraging private sector investment to the extent that Canadian developers are taking their business to the United States. But if the



government were to tackle the problem of financial gridlock that is currently driving them to seek more favourable conditions south of the border, the private sector would be able to reach the necessary investment levels.

With that in mind, we urge you to be more ambitious and consider a broader approach:

- **EXPAND THE GST REMOVAL:** Addressing new rental housing and new student residences is insufficient – the government should consider significantly expanding the scope to drive down costs and free up capital to create more housing supply.

This could be complemented by allowing deferral of capital gains for reinvestment in new housing, which would enable the government to create the conditions incentivizing private developers to invest domestically at the scale required to close the housing supply gap.

An ambitious approach providing much needed tax relief on housing would be an important step toward increasing housing supply and drastically improving affordability for Canadians.

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