



The Canadian
Tax Observatory



University of Ottawa
Roundtable
June 9, 2026

Shelter vs. Tax Shelter

A look at who benefits
from tax measures in the
housing sector



The Canadian
Tax Observatory

Report

Outline

1. **Housing in Canada's economy**
2. **Housing policy and politics**
3. **FHSA and first-time homebuyers**
4. **Conclusions, discussion questions**



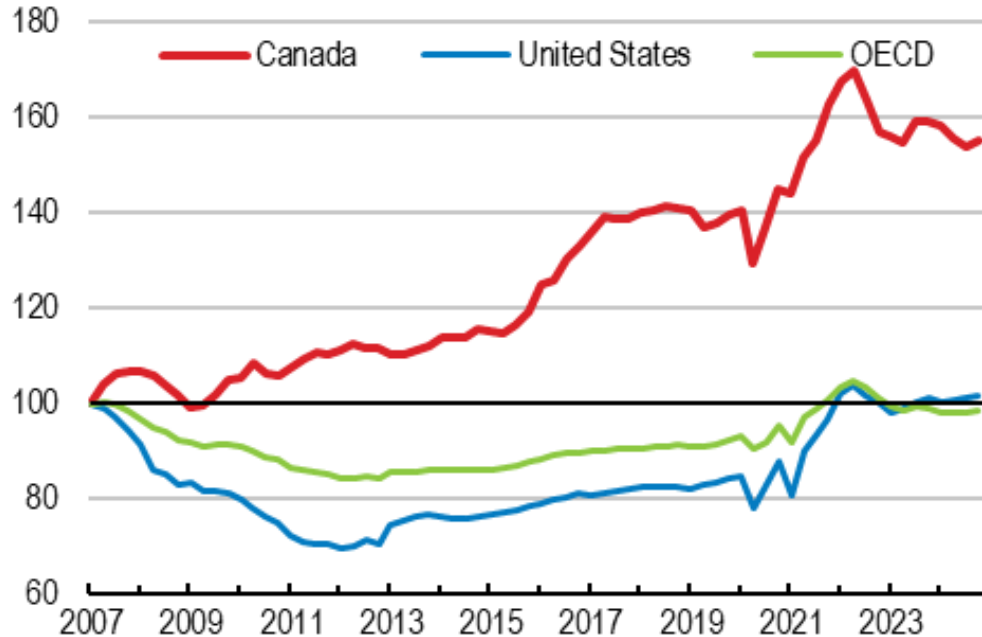
Outsized Role of Housing in Canada



Canada's high housing costs

House prices relative to disposable income per capita

Indexed to 100 in 2007Q1, both in real terms



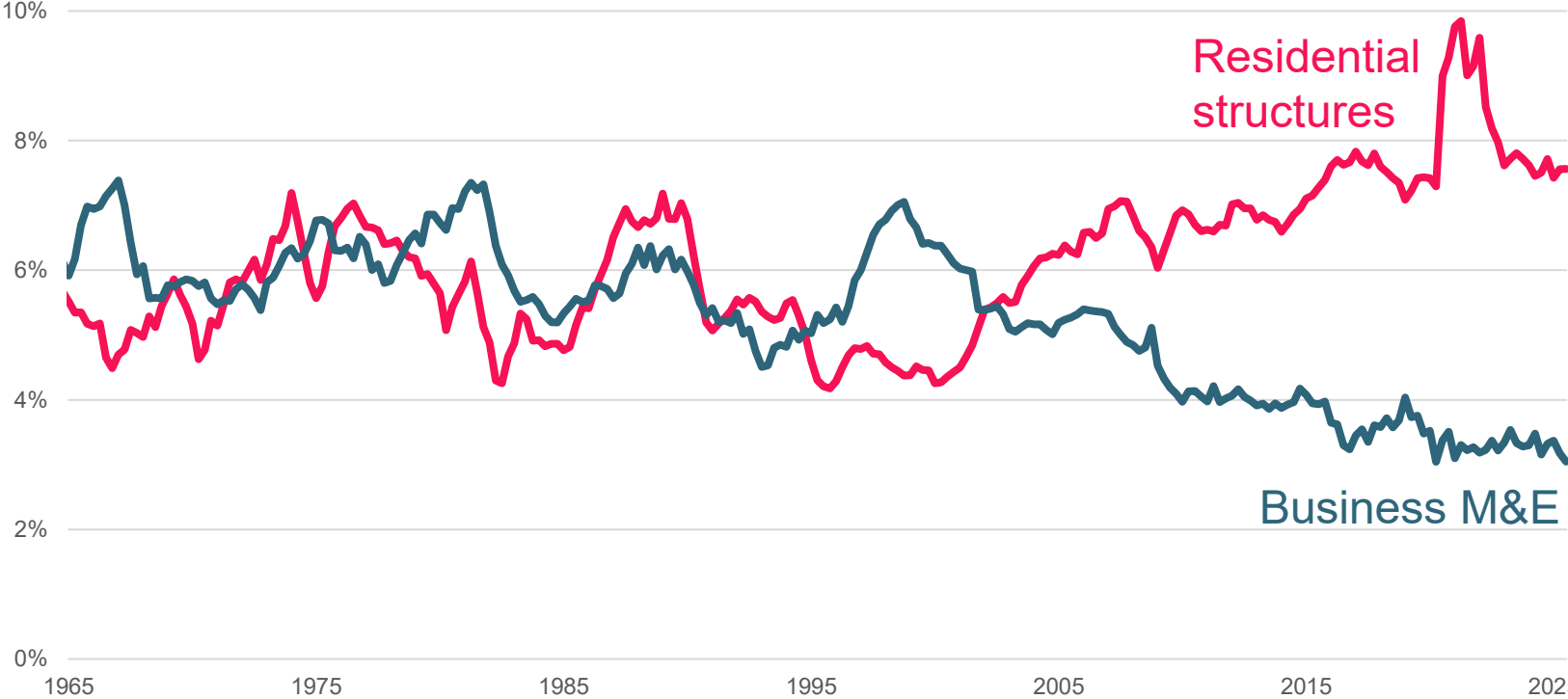
Source: OECD Economic Surveys: Canada 2025, [Chapter 2: Improving Housing Affordability](#)



Canada's strong housing mirrors weak business investment

Investment categories

Percent of GDP, 1961-2025

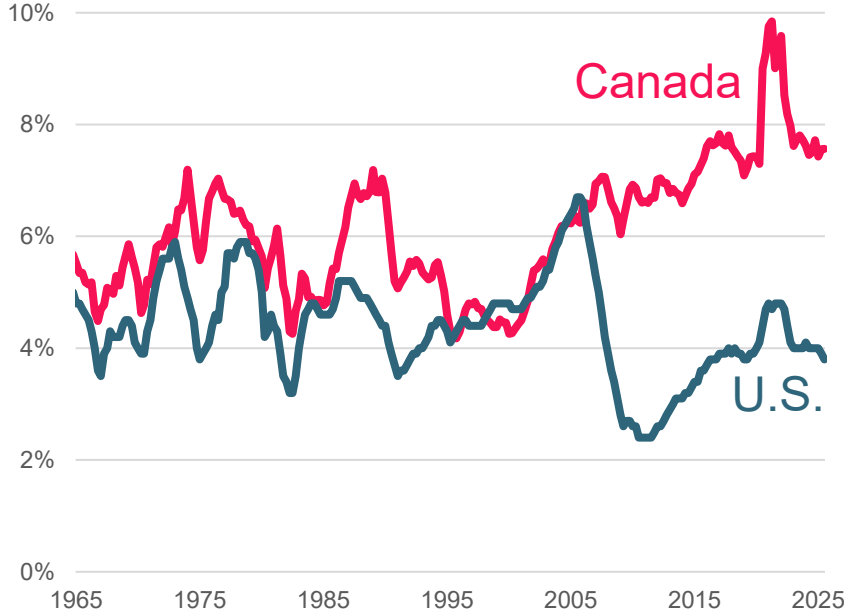


Source: Calculations using Statistics Canada Table [36-10-0104-01](#)

Canada vs. U.S. investment: residential 2x; business lags

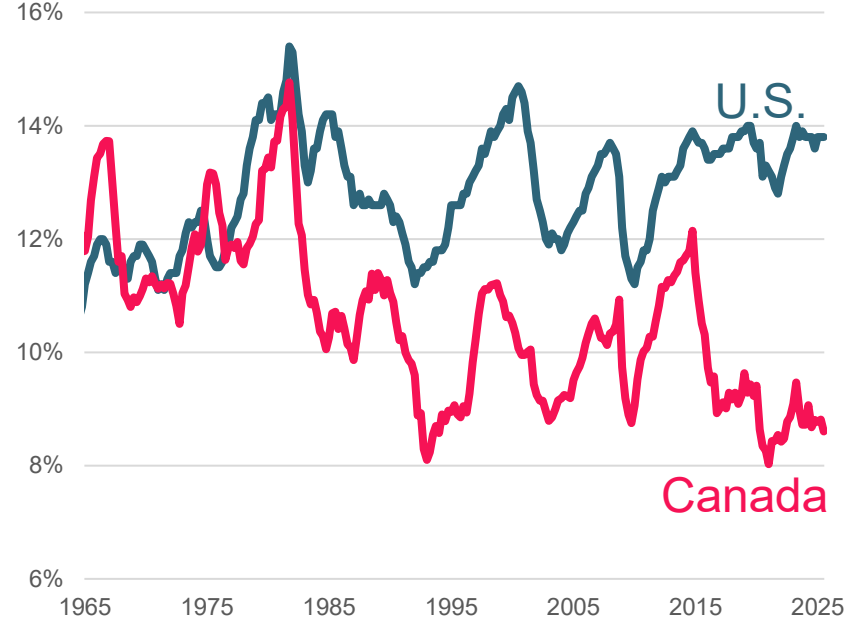
Residential investment

Percent of GDP, 1961-2025



Business investment

Percent of GDP, 1961-2025



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

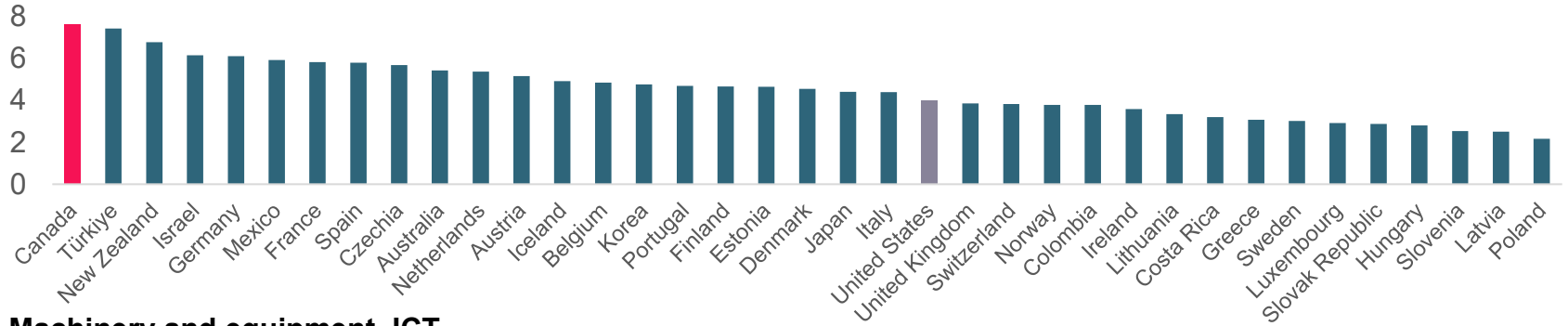
Sources: Canadian data calculations using Statistics Canada Table [36-10-0104-01](#); U.S. data is from the [Federal Reserve Bank of St. Louis](#)



Canada vs. OECD: 1st in housing, 34th in business investment

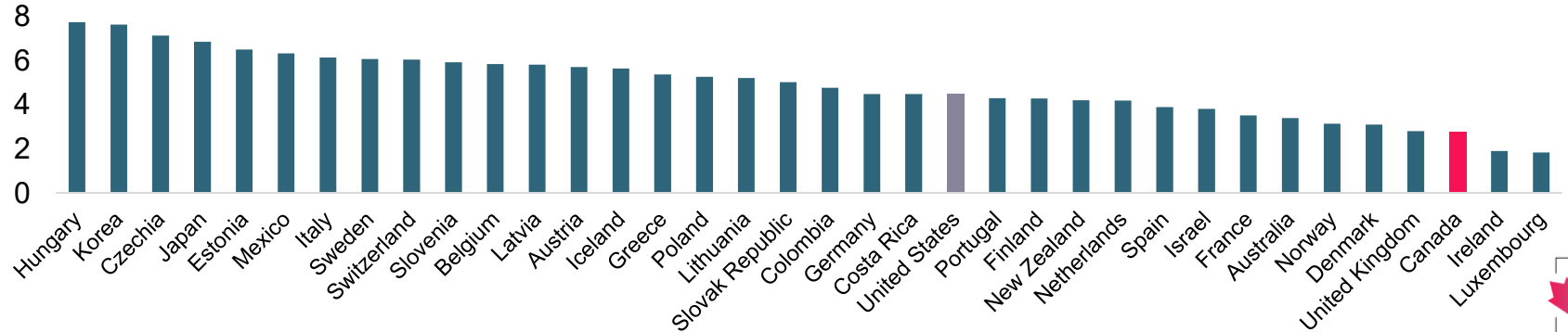
Dwelling investment

Percent of GDP



Machinery and equipment, ICT

Percent of GDP



Do capital requirements distort lending?



OSFI questions whether financial regulations may unintentionally favour mortgage lending over productive business investment.

Peter Routledge, OSFI Superintendent
March 2026

*"We...have to be alert to **unintended incentives** in the capital framework that can shape credit allocation. If **risk weights...** systematically **make it easier to lend against housing** than to SMEs, that can contribute to an unbalanced mix in the economy. (OSFI's) role is...to **not inadvertently discouraging productive lending.**"*

Source: Superintendent Peter Routledge participates in National Bank Annual Conference 2026 fireside chat - Office of the Superintendent of Financial Institutions



Housing Tax Policies and Politics



Several federal housing tax expenditures collectively cost \$17B

Estimated foregone personal income tax revenue in 2027 fiscal year

Millions of current dollars

	2027
Non-taxation of capital gains on principal residences	9,420 (55% of total)
Exemption from GST for certain residential rent	2,995 (18%)
First Home Savings Account	1,585 (9%)
Enhanced rebate for new residential rental property	1,205
First-Time Home Buyers' GST Rebate	895
Rebate for new residential rental property	345
First-Time Home Buyers' Tax Credit	250
Accelerated CCA for purpose-built rentals	230
Rebate for new housing	70
Total housing tax relief	16,995

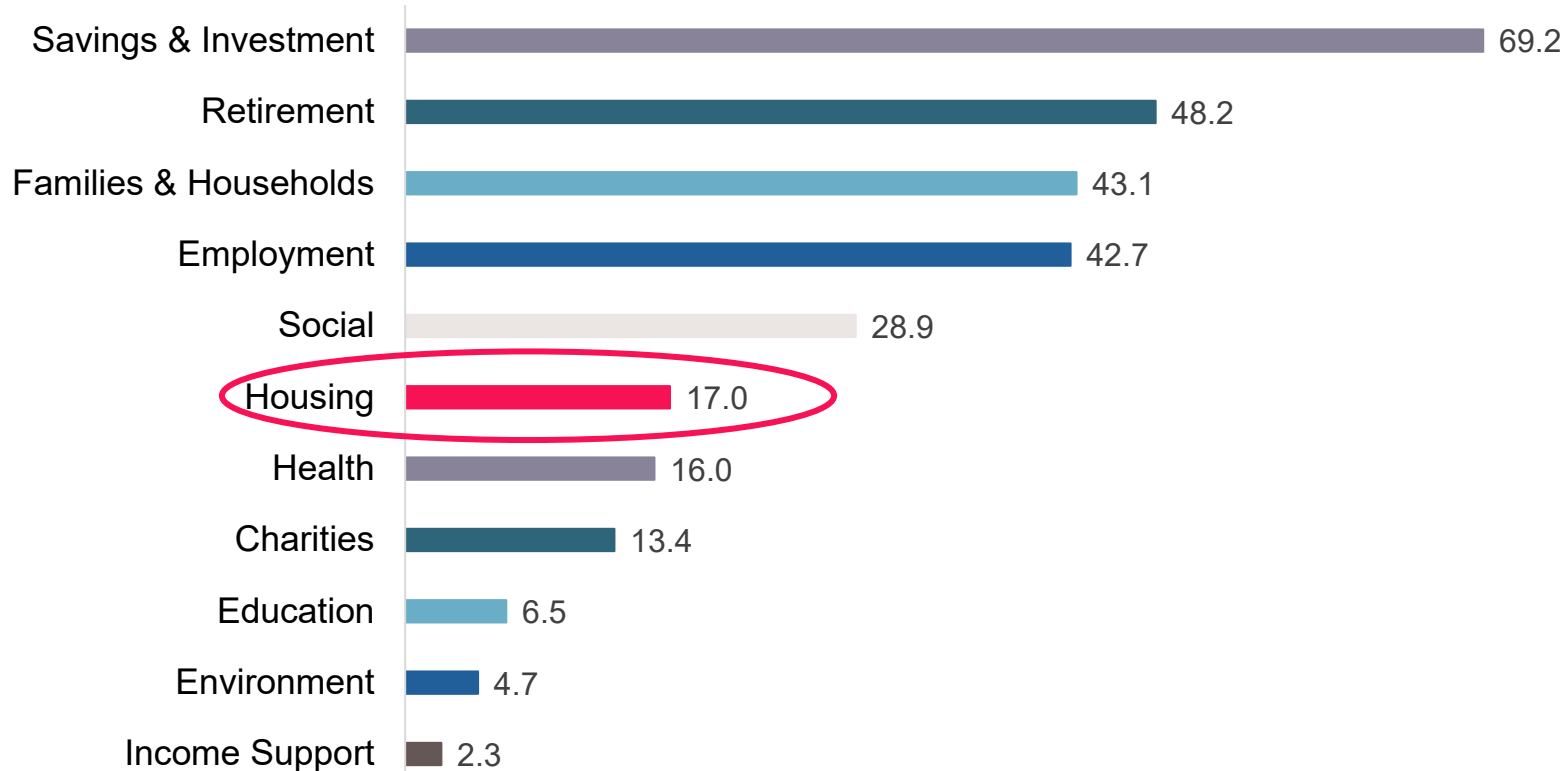
Source: Finance Canada, [Tax Expenditures and Evaluations \(2026\)](#)



Housing tax relief in context

Canadian federal tax expenditures in 2027 by area

Billions of current dollars



Source: Finance Canada, [Tax Expenditures and Evaluations \(2026\)](#).



First Home Savings Account (FHSA)



FHSA background

- Launched April 2023 to help Canadians save for first home downpayment
- Requirements:
 - Canadian resident
 - Age 18-71
 - Didn't own principal residence past 5 yrs
- Max contribution \$8k per year; lifetime max \$40k
- Investment income/withdrawals non-taxable
- Within 15 yrs of opening FHSA, withdraw to purchase home or transfer to RRSP (doesn't affect contribution room)



FHSA early take-up stats

\$2.8 Billion
Total value of
active accounts

\$3,900
Average balance
for active FHSA holders

739,000
Individuals
opened an
FHSA*

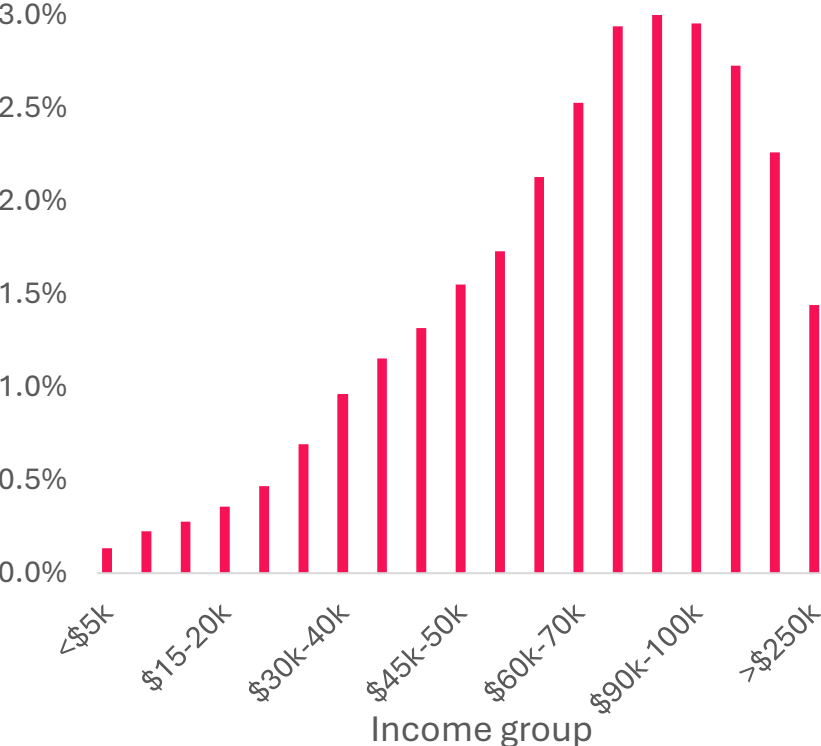
1.5%
Of all tax returns
filed in 2023 claimed
the FHSA deduction

Began Apr 2023; as of Dec 31, 2023

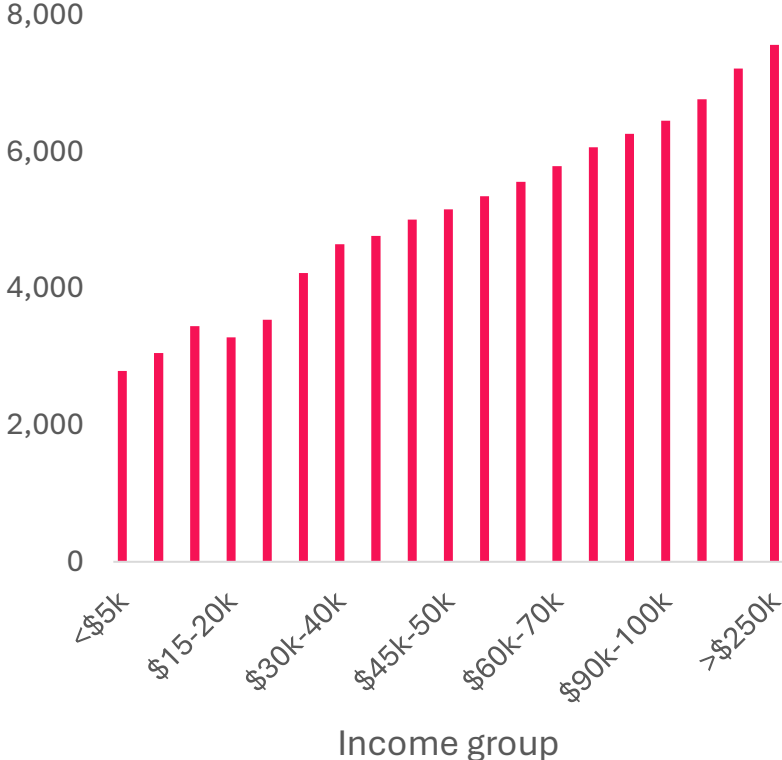


FHSA use and contributions rise with income

Share of taxfilers claiming FHSA deduction,
Percent, by income group, 2023



Average value of FHSA deduction claimed
Canadian dollars, by income group, 2023



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



BANK
OF
MOM & DAD



Intergenerational wealth transfers aid housing entry

- Those born in 1990s, twice as likely to own a home, if their parents did
- **Parental gifts: Avg. \$75k:** **Avu**Avg. \$75k used by 41% of FTHBs
 - Otherwise, 20% wouldn't have purchased the home
- **Parental co-signing:** of FTHB mortgages 13% in 2022, up from 4% in 2004
 - Otherwise, 74% wouldn't have purchased the home



Conclusions and Open Questions



Key findings

- **Housing plays an outsized role in Canada's economy relative to peers.**
- **Ottawa provides significant housing tax support (\$17B annually).**
- **FHSA primarily benefits higher income/wealth households.**
- **Family wealth increasingly driving homeownership.**
- **Demand-side incentives in supply-constrained markets worsen affordability, especially for younger and lower-wealth Canadians.**



Recommendations

1. **Do no harm: Don't index FHSA contribution limits to inflation**
2. **Comprehensively examine all federal tax incentives for housing**



Discussion questions

1. **Can FHSA benefits be better targeted?**
2. **(How) Can the tax system improve housing affordability?**



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A handwritten signature in black ink, appearing to read 'Stephen Tapp' in a cursive style.