

ISSUE IN FOCUS



Celebrating 100 Years

SASKATCHEWAN
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Issues Impacting Rental Accommodation Construction

Background:

Through unattractive taxation, the federal government is discouraging the construction of new rental properties in Saskatchewan and indirectly causing higher rents due to a lack of supply.

Issue:

Revenue Canada classifies rental income as “inactive” income for a business that has less than five employees. This inactive income is taxed at 46.7%, which is quite high when compared to the federal small business tax rate of 10.5% and corporate tax rate of 15%. In addition, if the owner of the building borrows money to construct the building, the cost to borrow this money doubles because of federal and provincial taxes.

Recommendations:

- 1) That the Government of Canada eliminate the inactive tax rate on rental accommodations and instead use the rates and rules that are applicable to regular small, medium, and large businesses. A federal tax rebate program on new rental unit construction could also be considered.
- 2) That Saskatchewan’s municipal governments end the discrimination against rental properties and levy the same property tax on them as they do upon other residential property.



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3) That The Residential Tenancies Act be amended to better protect the rights of both the tenant and the owner. Also, the Office of Residential Tenancies should be made responsible for regulatory enforcement that will be unbiased toward either the renter or the landlord. The public already perceives the Office as representing the renter, so the Office's current quasi-judicial role can easily be expanded to enforce the rights of the owner as well as the tenant.

4) That the Government of Canada allow owners of rental properties to roll over capital gains if the capital gain is immediately reinvested into new rental accommodation construction. 5) That the Government of Saskatchewan continue to reject the implementation of rent control in the province because such programs make it even less financially attractive for people to invest into building or renovating rental housing.

History:

Adopted Policy Resolution 2013

Adopted Policy Resolution 2016