

September 17, 2021

The Honourable Chrystia Freeland, PC, MP  
Deputy Prime Minister of Canada  
Minister of Finance  
90 Elgin Street, 14th Floor  
Ottawa ON  
K1A 0G5

Re: Consultation on the Underused Housing Tax

**Dear Deputy Prime Minister,**

The Tourism Industry Association of Canada (TIAC) appreciates the opportunity to provide its views on the application of the proposed Underused Housing Tax, and more specifically on whether special rules should be established in respect of residential properties located in resort and tourism communities.

As outlined herein, TIAC believes that special rules are warranted and should be established in respect of residential properties located in resort and tourism communities to ensure that i) every owner of a residential property who offers their properties as short-term vacation rentals be required to file an annual declaration with the Canada Revenue Agency for each such property they own, and ii) all owners of residential property in resort and tourism communities who offer their properties as short-term rentals be subject to the annual Underused Housing Tax.

## **Tourism Industry Association of Canada**

Founded in 1930 to encourage the development of tourism in Canada, TIAC serves today as the national private-sector advocate for what was a thriving \$105 billion industry, accounting for 2.3% of national GDP, before the global COVID-19 pandemic. TIAC takes action on behalf of some 6,000 businesses and other organizations in the tourism industry across Canada, and promotes positive measures that help the industry grow and prosper. Its membership reflects partnerships among all sectors of the industry, including provincial, territorial and regional tourism associations, enabling the Association to address the full range of issues facing Canadian tourism. It represents tourism interests at the national level, and its advocacy work involves promoting and supporting policies, programs and activities that will benefit the sector's growth and development.

## **Issue**

A pressing issue for the Canadian tourism industry as it relates to residential properties located in resort and tourism communities is directly linked to what has now become a very significant shortage of workers in those communities.

In some resort and tourism communities, the overall demand for residential properties has increased considerably over the last many years. Further fueling this trend in part is the advent of individual owners offering their residential properties as short-term rentals. And, while these trends began long before the pandemic, the advent of COVID-19 has compounded the upsurge in demand as Canadians in increasing numbers are now choosing to move away from more densely populated urban and suburban areas to resort and tourism communities from where they can easily tele-work. These trends have caused both a significant increase in the cost of housing and a drastic decline in availability for tourism workers in these communities.

Affordable housing for many workers in resort and tourism communities – a significant proportion of whom are new Canadians or youth between the ages of 18 and 24 who are starting to build their future – is in extreme short supply or often does not exist within reasonable travel distance from where those workers would otherwise prefer to work and from where there is considerable tourism labour demand. Faced with the very real prospect of not being able to make ends meet by working in these communities, tourism workers are often choosing to relocate to more affordable communities and/or to exit the tourism labour market altogether.

This represents a significant barrier to tourism operators in those communities who need to attract experienced staff at competitive costs to operate and grow their businesses. Without an adequate pool of experienced tourism workers who can afford to live in, or within reasonable proximity to, those resort and tourism communities, the recovery of the tourism and travel economy as a whole is hindered.

## Impact of the COVID-19 Pandemic

We cannot overstate how devastating the global COVID-19 pandemic has been on the tourism industry in Canada. Prior to COVID-19, tourism was one of the fastest growing industries in the world. It was Canada's 5th largest sector, representing 225,000 small- and medium-sized businesses that sustained 10% of all Canadian jobs.

The pandemic has now presented the industry with unprecedented challenges. Many businesses are struggling to stay solvent and the number of Canadians employed in the sector has dropped by more than 500,000, representing a decrease of close to 25% in the tourism sector's total workforce.

In a recent industry-wide survey of tourism businesses in every province and territory, TIAC found that:

- One third of respondents expect up to a 50% decline in revenue in 2021 compared to 2020, and lost between 75% and 100% of revenue compared the same time in 2019.
- 64% of respondents indicated low cash flow as a challenge facing their business, with a majority citing financial shortfall and burden as the biggest risk currently impacting them.
- Almost half of respondents have taken on over \$50,000 in debt to keep their business afloat.
- Over 40% of respondents had to lay off over half of their staff due to COVID-19.
- Almost 55% of respondents noted either loss of revenue or labour shortages as the biggest threat to their businesses.
- Almost 40% of respondents say they would have to shut down their businesses today if they no longer received support from government programs.
- 65% of respondents accessed the Canada Emergency Wage Subsidy (CEWS), and 35% accessed the Canada Emergency Rent Subsidy (CERS).
- Majority of respondents predict it will take between 1 to 3 years for sufficient tourism demand to return to the pre-pandemic level of profitability.

Tourism was the first hit, hardest hit, and will be the last to recover from this global pandemic.

## TIAC's Key Strategic Priorities to Rebuild the Tourism Industry

To address the multitude of challenges now facing the industry in the short-, medium- and longer-terms, TIAC's internal Tourism Industry Recovery Committee developed the 2021 Tourism Recovery Plan, a key strategic priorities action plan to rebuild the Canadian tourism industry to where it was prior to COVID-19.

Our **2021 Tourism Recovery Plan** is designed around three main overarching themes:

- 1. Supporting Business Solvency:** Key tactics in this area are focused on ensuring that federal financial assistance programs put in place to support the economy during the pandemic effectively respond to the specific needs of the businesses in hardest hit sectors. The tourism industry is unique in many respects, and encompasses a wide range of sectors and sub-sectors. The industry is grateful for the financial support that has been made available to date, and for the commitments of new programs to come. In this regard, we look forward to continued collaboration and dialogue to ensure these supports are made available in a timely fashion and effectively respond to sector-specific needs.

**2. Championing Safety:** The tourism industry in Canada is fully committed to ensuring the health and safety of all Canadians and international travelers, and to working diligently to protect them from COVID-19. We recognize unreservedly that the path to effectively kick-starting the economy writ large, and recovering the tourism industry more specifically, very largely hinges on our collective capacity to tamper and control the virus. As such, our key tactics in this area are focused on a number of measures that would support such things as rapid testing, contact tracing, and the incremental costs to businesses associated with new safety protocols. Under this theme, we also aim to provide federal guidance on a policy roadmap to safely re-open provincial/territorial and international borders by managing the risk of contagion with testing as a replacement for quarantine measures.

**3. Ensuring Canada is Globally Competitive:** The action plan in this area was developed with two important considerations in mind. First, when it is safe to do so, we believe people will travel again in large numbers for both pleasure and business. And second, in the interim, it is critical that we adequately prepare the tourist economy in order to be globally competitive when that time comes. As such, tactics in this area include advocating for financial resources earmarked to incentivizing Canadians to travel locally or across Canada, re-introduce the federal Marquee Tourism Events Program, launch a Business Events and Urban Recovery funding program to help support urban DMOs offset business meetings and events losses, reinstate the visitor GST rebate program for international travelers, and continue to prioritize funding to Destinations Canada in light of the important work it carries out in support of Canada's tourism sector.

Additional tactics under this theme relate specifically to addressing the significant labour shortages now occurring in the tourism industry. Tourism HR Canada's labour market research shows that chronic shortages in the sector will hamper full recovery. As such, we are advocating for targeted funding for labour market research, skills and capacity development programs, and to extended work visas. We are also working to ensure that all other ongoing federal initiatives that could help address current labour shortage issues be considered through that lens.

## Special Rules for Residential Properties in Resort and Tourism Communities

In light of the above-noted trends and challenges facing the tourism industry, and highlighting the Government of Canada's firm commitment to putting Canada on the fast track to recovery by continuing to support businesses and our hardest hit sectors, we make the following recommendation as a means to attenuate the lack of affordable housing for tourism workers in resort and tourism communities that is caused in part by the listing of residential properties as short-term vacation rentals:

### Recommendations

1. That every owner of a residential property in a resort or tourist community who offers their properties as short-term vacation rentals be required to file an annual declaration with the Canada Revenue Agency for each such property they own, and;
2. That all owners of residential property in resort and tourism communities who offer their properties as short-term vacation rentals be subject to the annual Underused Housing Tax.

In closing, I would like to reiterate TIAC's appreciation for the opportunity to provide its views on the application of the proposed Underused Housing Tax to residential properties in resort and tourism communities.

I would welcome the opportunity to expand on this submission at your convenience.

Sincerely,



**Beth Potter**

President and CEO

Tourism Industry Association of Canada

**TIAC**  **AITC**