

Federal Budget Misses Investment Opportunity

No firm action on capital gains

OTTAWA, Ontario, March 19, 2007 — The federal government has failed to provide an opportunity for Canadians to increase their investments in real property.

This opportunity would have come in a proposal from The Canadian Real Estate Association (CREA) to allow the deferral of capital gains tax and recaptured capital cost allowance when an investment property is sold, and the proceeds of the sale are invested in another investment property within one year.

The Association, on behalf of more than 88,000 REALTORS® in Canada, has been calling on the federal government to make such changes to the capital gains tax for several years now. CREA's proposal would provide several economic benefits, including a boost in Canada's productivity, expansion of rental housing, and encouragement of urban regeneration.

"Small investors are holding onto their real property investments because of the tax consequences associated with selling and reinvesting, and this is unduly influencing typical market activity," noted CREA Chief Executive Officer Pierre Beauchamp. "Despite our disappointment, CREA remains committed to working with the federal government to develop a policy that will encourage investment in real property."

Canadian REALTORS® were also disappointed to learn that the federal government did not revise the current Home Buyers' Plan to include a market adjustment for the maximum RRSP withdrawal limit – a move that would have been beneficial to first-time homebuyers.

"The maximum loan limit under the Home Buyers' Plan has been losing ground as a percentage of rising average resale home prices for more than a decade," noted Beauchamp. "Plan users are being forced to finance bigger mortgages, causing their debt burden to rise even as interest rates remain low."

The \$20,000 maximum loan limit for a home downpayment has not been adjusted since the plan was established in 1992, which has had a negative impact on its effectiveness.

The lack of inflation adjustment is an obvious oversight in the design of the plan. Canadians REALTORS® have been calling on the federal government to raise the maximum loan limit to \$25,000 to account for inflationary gains over the past 15 years. REALTORS® would also like to see the loan limits adjusted every five years to account for inflation.

"Though we are disappointed that these much needed changes are not reflected in the 2007 Federal Budget, we hope that the federal government will make improvements to the plan – and the affordability of Canadian housing – a priority in the immediate future," added Beauchamp.

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About The Canadian Real Estate Association

The Canadian Real Estate Association is one of Canada's largest single-industry trade Associations, and represents more than 88,000 REALTORS® across Canada. CREA's primary mission is to represent its members at the federal level of government and to act as a watchdog on national legislation affecting or impacting the real estate industry. CREA also works to defend the public's right to own and enjoy property.

For further information, please contact:

Bob Linney
Communications Director
The Canadian Real Estate Association
(613) 237-7111
(613) 795-4346
rlinney@crea.ca