



News Release / Communiqué

The Canadian Real Estate Association L'Association canadienne de l'immeuble

REALTORS® propose changes to capital gains tax *Government urged to extend tax rollover to small investors*

For Immediate Release

Ottawa – March 16, 2007 – The Canadian Real Estate Association (CREA) has been calling on the federal government to make changes to the Capital Gains Tax that would provide several economic benefits, including a boost in Canada's productivity, expansion of rental housing, and encouragement of urban regeneration.

CREA Chief Executive Officer Pierre Beauchamp said the Association has met with Members of Parliament and government officials to outline a proposal 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.

Beauchamp noted that small investors are holding onto their investments because of the tax consequences associated with selling and reinvesting. "Small investors are avoiding capital gains tax by not selling their real property investment, and this is unduly influencing typical market activity," noted Beauchamp.

Members of CREA's Canadian Commercial Council, a group of REALTORS® who specialize in commercial and industrial properties, believe a deferral would trigger economic activity as small investors typically undertake renovations and make related purchases when they reinvest. In many communities, small investors are at the heart of community development and redevelopment initiatives.

The Canadian Real Estate Association has commissioned expert research, which has identified four significant benefits from a rollover of capital gains tax for small investors:

1. It will enhance Canada's productivity because taxation is one of the factors weighting down the investment climate.
2. It will reduce tax discrimination that is deterring investment in rental housing in Canada. A series of tax changes over the past 25 years has discouraged the private sector from building and maintaining rental housing. Rental housing is as productive as other forms of investment, producing a future flow of accommodation services.
3. It will facilitate the management of real estate investment portfolios for Canada's aging population. The Canadian worker must be more self-reliant in retirement and this proposal allows small investors to best manage their risk exposure in concert with market changes.

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4. It will support increasing labor mobility that is essential to Canada's economic prosperity. Households can now move their belongings, stocks and bonds, but are unable to move their real property investments without facing substantial tax consequences.

Representatives from The Canadian Real Estate Association will be available for comment on any capital gains tax issues raised by the Federal Budget on March 19th. Additional information can be found on the association web site www.crea.ca, under the Federal Affairs/Issues tab.

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