

June 7, 2023

Standing Committee on International Trade
Sixth Floor, 131 Queen Street
House of Commons
Ottawa ON K1A 0A6
Canada

Via: CIIT@parl.gc.ca

RE: Committee study on impacts of the Underused Housing Tax on Canadian border communities

Dear Members of the Committee:

On behalf of the undersigned representatives of Canada's 190,000 farm families from coast to coast to coast, we submit to you our comments on the Standing Committee on International Trade's study on the Underused Housing Tax (UHT).

Unintended consequences on Canadian farms and farm families

We understand that the UHT on the ownership of vacant or underused housing in Canada was originally put in place to help alleviate pressure on the domestic housing sector, and that many of the Government of Canada's concerns stemmed from foreign ownership of Canadian homes. As a result, the UHT requires that various Canadian companies, partnerships, and trusts, regardless of foreign ownership, submit a return for every residential property they hold. This requirement applies yearly, even if no taxes need to be paid.

While the UHT requirement is not sector-specific and applies to all Canadian corporations and partnerships, it is having an unintended and negative impact on farmers across Canada. Many producers own housing whose use and occupancy is affected by factors unique to agriculture including but not limited to the impact of inter-generational farm succession and the seasonal employment of temporary foreign workers during which their agricultural employers are obligated to provide them with housing. Using British Columbia (BC) as an example, in recent years, many BC farmers have pursued incorporation on the advice of the Government of BC to facilitate certain administrative processes, such as applications for Disaster Financial Assistance Arrangements. As such, the UHT filing requirement currently applies to many of the 14,826 farm properties in active production, even though almost none will be assessed as owing payment of this tax.

Furthermore, between 2010 and 2015, 126 farm properties in BC were purchased by foreign individuals or entities. Most of these properties are located in the Delta area, which directly borders the United States, and by far the most common country of purchase was the US. Regardless of the country of purchase, foreign ownership of farm properties in BC is quite

limited and the burden of the UHT filing requirement across Canada is therefore disproportionate to its intended purpose.

Unnecessary administrative and financial burden on farmers

Private corporations and partnerships, including farms, are required to submit a UHT return for their residential properties, even if they don't have to pay the tax. Failure to file the UHT return can result in penalties, with individuals facing \$5,000 and corporations/partnerships facing \$10,000 per residential property.

This requirement has caused financial burdens for farmers, as they have to pay an estimated \$500-\$1000 fee for preparing and filing the UHT return, even when they know they are exempt from paying the tax. Although there is an exemption process available for farmers, the application process itself is costly, adding to the already increasing expenses farmers face such as input costs, energy costs, and regulatory requirements.

Negative impact on farm operations that rely on foreign workers

One of the most significant challenges facing the Canadian agriculture sector today is a chronic and severe labour shortage. A wide range of Canadian farm operations can only operate and grow if they can find enough workers when they need them. As a result, farmers rely on the Temporary Foreign Worker Program (TFWP) and the Seasonal Agricultural Worker Program (SAWP) extensively to meet this need. These programs require that the farmer have housing arrangements in place and inspected months before submitting their Labour Market Impact Assessment application to Service Canada. As a result, the homes remain vacant prior to the arrival of the foreign worker and given the seasonal nature of many of these operations, stay vacant during the off season. The requirement to file a UHT return, even if exempt from paying the tax, does not recognize the operational needs of many Canadian farming operations across Canada that rely on the TFWP and SAWP to remain viable.

Even after the CRA issued Underused Housing Tax Notice UHTN15 which exempted certain housing types for foreign workers such as bunkhouses and mobile homes, many instances of worker housing remain under the filing requirement. In particular, farm employers have been moving towards higher quality housing for their foreign employees by providing them with accommodations in detached houses or similar buildings repurposed for this use. These housing arrangements should be viewed as progressive and positive, reflecting a larger trend of raising the living quality of international farm workers in Canada. However, the UHT filing requirement remains in place for this type of worker housing, effectively penalizing farm employers for offering this higher quality housing arrangement for workers.

Farmers should be exempt from filing a UHT return

Requiring farmers to submit a UHT return, even when they are exempt from paying the tax, creates an unnecessary financial and administrative burden on farmers, without effectively

achieving the stated objective of the UHT. Farmers have minimal involvement in the housing market, and the majority qualify for a UHT exemption. As such, we urge the government to exempt farmers from the requirement to file a UHT return, ensuring that they are not penalized for failing to do so. This exemption should be granted without any additional application or paperwork requirements for the farmers.

In conclusion, we thank you for the opportunity to submit to you our comments on the Standing Committee on International Trade's study on the Underused Housing Tax. We would welcome the opportunity to discuss these issues further.

Sincerely

