




**Government Revenues
Related to Home Sales
and Purchases Over MLS®
Systems in Canada
Between 2020-2022**



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Prepared for:
The Canadian Real Estate Association

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EXECUTIVE SUMMARY

The significant economic benefits created by resale housing activity were quantified in a recent Altus Group report entitled *Economic Benefits Generated by Home Sales and Purchases over MLS® Systems in Canada Between 2020 and 2022 (or Economic Benefits 2022)*. These benefits were based on homes that traded hands via Canadian MLS® Systems between 2020 and 2022¹.

The study found that these sales generated an average of \$43 billion in spin-off spending (i.e. ancillary spending by home buyers on items beyond the actual property and land) and created 233,209 direct and indirect jobs on average each year.

These sales also produce substantial tax revenues for federal, provincial, and municipal governments. Using key findings from the *Economic Benefits 2022* report, this study estimates these government revenues averaged approximately \$20 billion annually from 2020 to 2022, or about \$36,488 per transaction.

Over this period, spending on retail goods and services, as well as professional services tied to MLS® Systems home sales and purchases generated an average of \$4.2 billion in federal and provincial sales taxes and \$7 billion in land transfer tax revenues each year. Direct and indirect jobs created by these sales produced \$5.1 billion in federal and provincial income taxes and payroll taxes on average each year.

Newly built homes sold via Canadian MLS® Systems are estimated to have resulted in \$1.5 billion in federal and provincial tax revenues annually over this period. They also generated more than \$2.7 billion in annual revenue for municipalities through municipal fees, levies, and taxes. Substantially renovated homes sold through MLS® Systems are estimated to have created \$323 million in annual provincial and federal sales tax revenues each year from 2020 to 2022.

¹ Multiple Listing Service® and MLS® are registered certification marks owned by The Canadian Real Estate Association.

INTRODUCTION

Resale housing transactions across Canada create a significant amount of economic activity. For instance, there is a considerable amount of retail and renovation spending that occurs when Canadians move, including buying new furniture and appliances, and remaking parts of their home to suit their preferences. Furthermore, housing transactions through the Multiple Listing Service® (MLS®) Systems² generate fees to professionals such as lawyers, appraisers, real estate professionals, and surveyors.

The sale and purchase of homes through Canadian MLS® Systems also creates considerable tax revenue for governments through sales taxes, income and payroll taxes, land transfer taxes, and municipal charges.

To assess these benefits, the Canadian Real Estate Association (CREA) commissioned Altus Group Economic Consulting to prepare estimates of tax revenues accruing to federal, provincial and municipal governments from housing transactions through Canadian MLS® Systems in Canada and the 10 provinces. This study utilizes findings from the 2019 report entitled *Economic Benefits Generated by MLS® Home Sales and Purchases in Canada and the Provinces* (hereafter referred to *Economic Benefits 2019*), prepared for CREA by Altus Group. The *Economic Benefits 2022* report quantified the economic activity generated by homes sold through Canadian MLS® Systems from 2020 to 2022.

Six measures of government revenue are assessed in this report, each related to the purchase and sale of homes through Canadian MLS® Systems:

- the GST / HST / PST generated from spending on professional services (such as legal fees) directly related to home sales and purchases;
- the GST / HST / PST generated from expenditures on general retail goods and services (i.e. purchases of appliances) related to home sales and purchases;
- the GST / HST / PST on newly built and substantially renovated homes that are sold through MLS® Systems;
- municipal revenues from infrastructure charges and land dedication fees related to newly built homes sold through MLS® Systems;
- land transfer taxes; and
- income and payroll taxes related to the direct and indirect employment generated by home sales and purchases.

² Multiple Listing Service® and MLS® are registered certification marks owned by The Canadian Real Estate Association.



CANADA'S MACROECONOMIC ENVIRONMENT

The COVID-19 pandemic dominated the macroeconomic backdrop for most of the 2020-2022 period. The housing market and related spending, especially renovations, benefitted significantly from historically low interest rates through most of this period. The more affordable markets, such as Alberta, Saskatchewan and Atlantic Region, had the strongest gain in home sales activity over this period.

MLS® Systems home sales activity over the 2020-2022 period hit historically high levels. This activity was spread across the country as a surge in economic activity and supportive demographics supported home sales activity in all provinces.

All told, the results of the *Economic Benefits 2019* report showed the average ancillary expenditure, generated by the purchase and sale of homes through MLS® Systems in Canada, has increased from the 2017 report.

HOUSING TRANSACTIONS PROVIDE SIGNIFICANT STIMULUS TO THE ECONOMY

In the *Economic Benefits 2022* report, economic benefits generated by MLS® Systems home sales and purchases were quantified for the period

between 2020 and 2022. Based on home sales via Canadian MLS® Systems during this period, it found:

- On average, each MLS® Systems home sale generated \$75,968 in ancillary spending (includes spending by purchasers on items other than the actual property and land and expenditures by owners in preparation of selling their home); and
- total ancillary spending averaged \$43 billion annually – a significant contribution to the overall Canadian economy.

These sales also created:

- 233,209 direct and indirect jobs annually across Canada; and
- \$20 billion in taxes each year for the federal, provincial, and municipal governments.

From these figures, it's clear that MLS® Systems home sales and purchases in Canada from 2020 to 2022 were a significant source of Canadian economic activity and an important contributor to the fiscal health of Canadian governments.

GOVERNMENT REVENUES CREATED BY MLS® SYSTEMS HOME SALES

This section estimates revenues accruing to federal, provincial, and municipal governments attributable to MLS® Systems home sales and purchases between 2020 and 2022. Revenues from sales taxes, land transfer taxes, income and payroll taxes, and municipal levies are considered.

BRIEF BACKGROUNDER ON SALES TAXES

The federal GST tax rate is 5% and is charged on most goods and services in Canada. Provincial sales tax rates and regimes vary.

In New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario and Prince Edward Island, the GST is blended with each province's provincial sales tax (PST) to form a Harmonized Sales Tax (HST). HST rates range from 13% to 15% in these provinces. Separate provincial sales taxes are collected in British Columbia, Saskatchewan, Manitoba, and Quebec. Provincial sales tax rates in these provinces range from 6% to 9.975%.

The HST and GST are applied to newly built or substantially renovated homes that are then sold through MLS® Systems. In Ontario, Saskatchewan and Nova Scotia, a component of those taxes are rebated to the home buyer depending on the total value of the transaction. A rebate on the Quebec Sales Tax (QST) levied on new housing is also provided to qualified buyers in that province.

TAXES FROM SPENDING ON PROFESSIONAL SERVICES

Expenditures on a variety of professional services occur during the typical housing transaction, including those provided by lawyers, land surveyors, appraisers, and real estate professionals. In the *Economic Benefits 2022* report, spending on such services was estimated for each province and ranged from \$10,399 to \$37,212 per home sale between 2020 and 2022.

Based on sales tax rates and MLS® Systems home sales over this period, spending on professional services associated with MLS® Systems home sales and purchases generated \$1.8 billion in federal and provincial sales tax revenues each year on average (see Figure 1). Federal and provincial treasuries both benefitted from this revenue (\$787 million and \$1,035 million respectively).

SALES TAXES FROM GENERAL RETAIL GOODS AND SERVICES

In *Economic Benefits 2022*, spin-off spending from the average MLS® Systems home sale was estimated for a wide range of retail goods and services, including, general household expenditures, furniture, and appliance purchases, moving services, and renovation expenses. Expenditures on these goods and services are estimated to have resulted in \$2.4 billion in federal and provincial sales taxes. Renovation spending and the purchase of furniture and appliances were major contributors to this tax revenue.

Most sales taxes were generated in Canada's three most populous provinces: Ontario, Quebec, and British Columbia (see Figure 1). The federal government collected about \$1.8 billion in sales tax revenue (20% of the total) and the provinces took in \$2.4 billion in combined tax revenues.

Figure 1

Estimated Federal and Provincial Sales Tax Revenue Generated by Spending Tied to MLS® Systems Housing Transactions, Canada, Provinces, and Regions, Annually

	Canada			Atlantic			Quebec		
	Fed.	Prov.	Total	Fed.	Prov.	Total	Fed.	Prov.	Total
	<i>Dollars (Millions)</i>								
General Household Purchases	149	187	336	7	15	22	21	0	21
Furniture and Appliances	239	298	536	10	19	29	38	0	38
Moving Costs	43	56	99	3	6	9	5	0	5
Renovations	618	797	1,415	27	54	81	85	0	85
Services*	787	1,035	1,821	23	45	68	94	0	94
Total	1,835	2,373	4,207	70	139	209	244	0	244

	Ontario			Prairies			B.C.		
	Fed.	Prov.	Total	Fed.	Prov.	Total	Fed.	Prov.	Total
	<i>Dollars (Millions)</i>								
General Household Purchases	51	82	134	32	38	70	38	53	90
Furniture and Appliances	105	169	274	43	50	93	43	60	102
Moving Costs	13	21	34	6	7	13	16	22	37
Renovations	304	486	790	98	113	211	103	145	248
Services*	377	602	979	107	127	234	186	260	446
Total	850	1,360	2,210	287	335	621	385	539	924

TAXES FROM NEWLY-BUILT AND SUBSTANTIALLY RENOVATED HOMES

Though sales tax does not apply to the sale price of resale homes, it is charged on newly built or substantially renovated homes, including those sold through MLS® Systems. According to the Canada Revenue Agency (CRA), a home is considered substantially renovated if at least 90% of the building that existed before renovations began is renovated to some minimum degree. The CRA also indicates this determination applies to the interior area of the building.

Individuals who purchase newly built or substantially renovated homes are eligible for the GST/HST New Housing Rebate. This allows them to recover part of the GST, or the federal portion of the HST, paid on these purchases. In Ontario and Nova Scotia, eligible new home buyers may also receive a rebate of a portion of the provincial component of the HST. A rebate is also available in Quebec for a component of the QST.

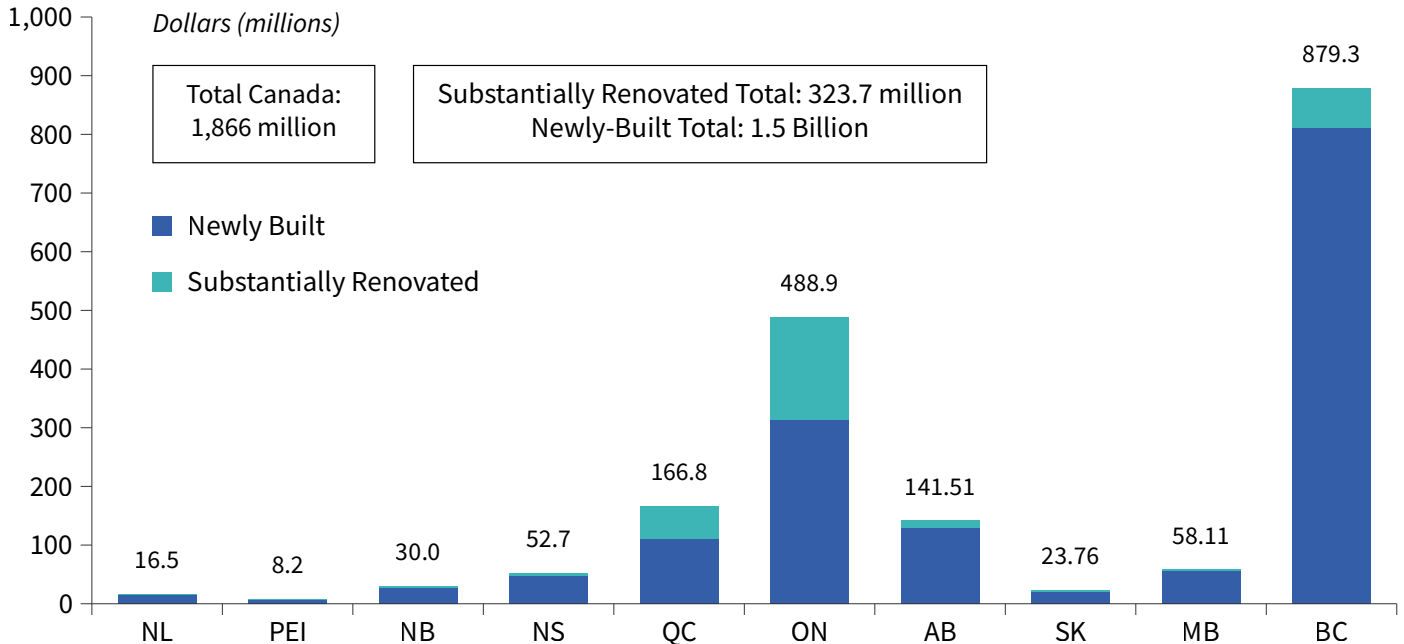
This section presents estimates of federal and provincial taxes generated by newly built and substantially renovated homes sold through MLS® Systems between 2020 and 2022, net of all eligible rebates. These sales are estimated to have generated \$1.9 billion in combined federal and provincial sales taxes, on average each year (see Figure 2).

The largest share of sales taxes was generated in Ontario and B.C. In British Columbia, this reflects a comparatively high level of newly built homes sold through its MLS® Systems. In the case of Ontario, this reflects the estimated number of both substantially renovated homes and newly built homes, with relatively high sales values, through this period that subsequently sold on MLS® Systems. Tax revenues in Quebec and Alberta were also relatively higher compared to the remainder of the provinces.

Sales of newly built and substantially renovated homes through MLS® Systems are estimated to have generated some \$862 million in federal sales tax revenue on average each year, net of the GST/ HST New Housing Rebate (Figure 3).

Figure 2

Federal and Provincial Sales Taxes, Net of Rebates, Collected from Newly-Built and Substantially Renovated Homes Sold Via MLS® Systems, Annually, 2020-2022



Note: Totals may not add up due to rounding.

Source: Altus Group Economic Consulting based on Survey of real estate boards and associations. Estimates of substantially renovated homes sold through the MLS® Systems based on Altus Group analysis.

Figure 3

Federal and Provincial Government Revenues Generated From Newly-Built and Substantially Renovated Homes Sold Through MLS® Systems, Annually, 2020-2022

	Provincial	Federal	Total
	<i>Dollars (Millions)</i>		
Nfld. & Labrador	12.3	4.3	16.6
PEI	6.2	2.0	8.2
Nova Scotia	38.8	13.9	52.7
New Brunswick	22.6	7.4	30.0
Quebec	116.6	50.2	166.8
Ontario	249.9	239.0	488.9
Manitoba	37.4	20.7	58.1
Sask.	12.6	11.2	23.8
Alberta	0.0	141.5	141.5
B.C.	507.3	372.0	879.3
Canada	1,003.7	862.2	1,865.9

Source: Altus Group Economic Consulting based on survey of REALTORS® in Canada and real estate boards/associations.

These sales also generate provincial sales tax revenues in all provinces except Alberta³. Based on the estimated number of newly built and substantially renovated homes sold through Canadian MLS® Systems between 2020 and 2022, provinces collected a total of \$1 billion in combined provincial tax revenues (net of applicable rebates) each year, on average.

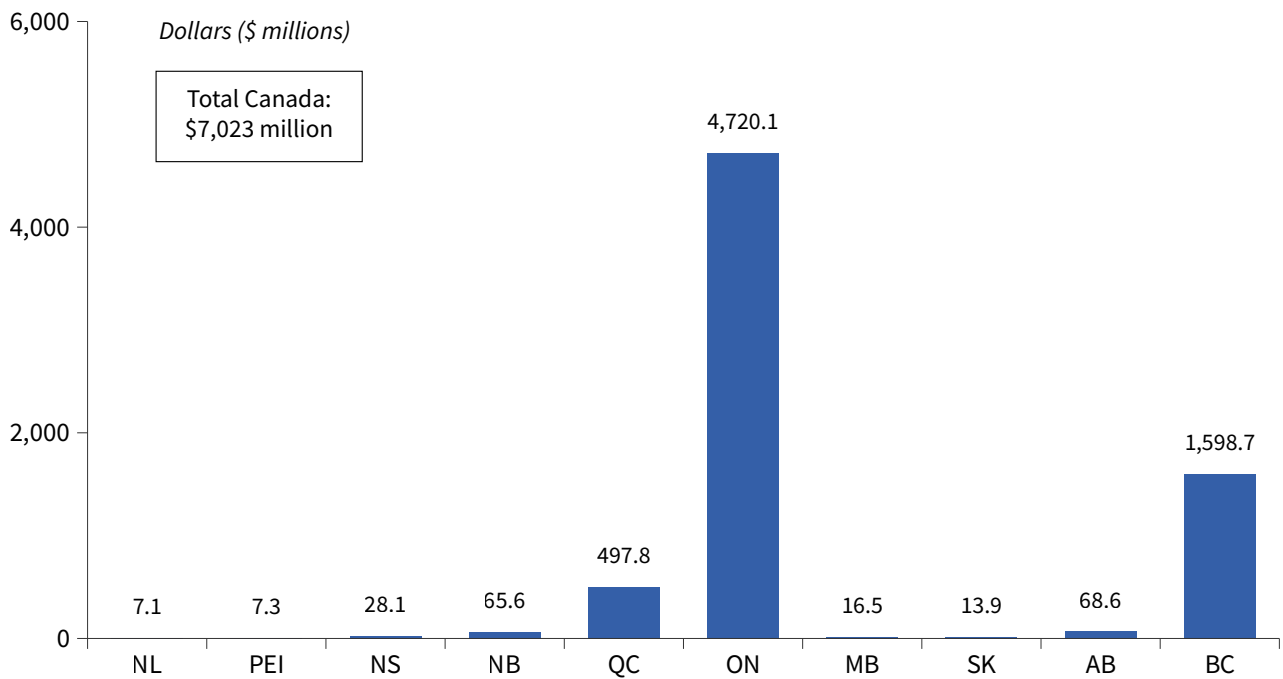
LAND TRANSFER TAXES

When property or land is acquired, home buyers must pay land transfer taxes at the time of purchase. Additionally, the City of Toronto levies a Municipal Land Transfer tax (MLTT). The rules governing the application of the tax vary widely across jurisdictions.

Altus Group’s *Economic Benefits 2022* study estimated land transfer taxes from MLS® Systems home sales and purchases from 2020 to 2022 for each province. Based on sales activity over that period, some \$7 billion in tax revenue was generated in ten provinces (including the City of Toronto’s MLTT) annually (see Figure 4).

Figure 4

Annual Land Transfer Taxes Collected from MLS® Systems Housing Transactions, 2020-2022



Note: The total may not add up due to rounding.

Source: Altus Group Economic Consulting.

Land transfer tax revenues were largest in Ontario (\$4.7 billion, including \$1.7 billion collected by the City of Toronto) and British Columbia (\$1.6 billion).

³ There is no PST in Alberta.

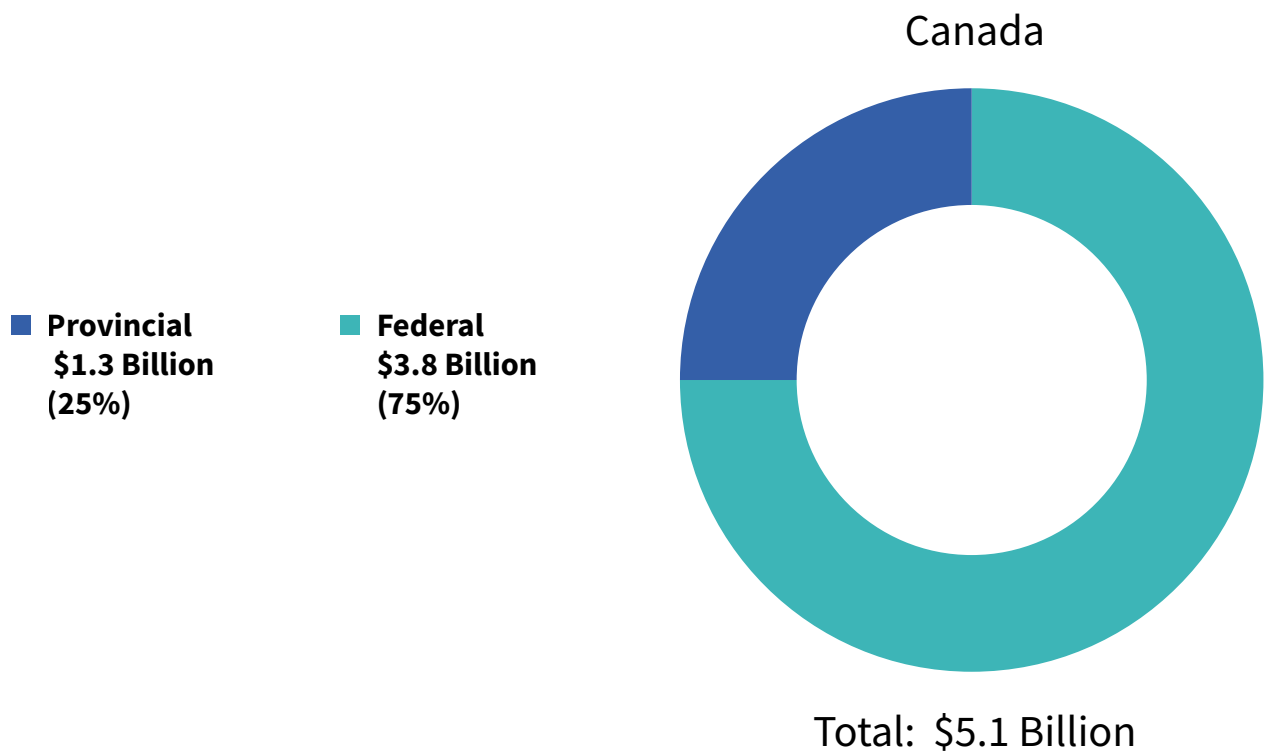
INCOME & PAYROLL TAXES

The *Economic Benefits 2022* study estimated MLS® Systems home sales and purchases from 2020 to 2022 created 233,209 direct and indirect jobs. These jobs are estimated to have generated \$20 billion in wages and salaries each year on average over this period, resulting in \$5.1 billion

in federal and provincial income tax collections annually. Of these income taxes, more than \$3.8 billion flowed to the federal government, and; provincial governments took in more than \$1.3 billion (see Figure 5).

Figure 5

Annual Income Taxes Collected from Jobs Generated by MLS® Systems Home Sales, 2020-2022



Source: Altus Group Economic Consulting based on Statistics Canada Input-Output Model.

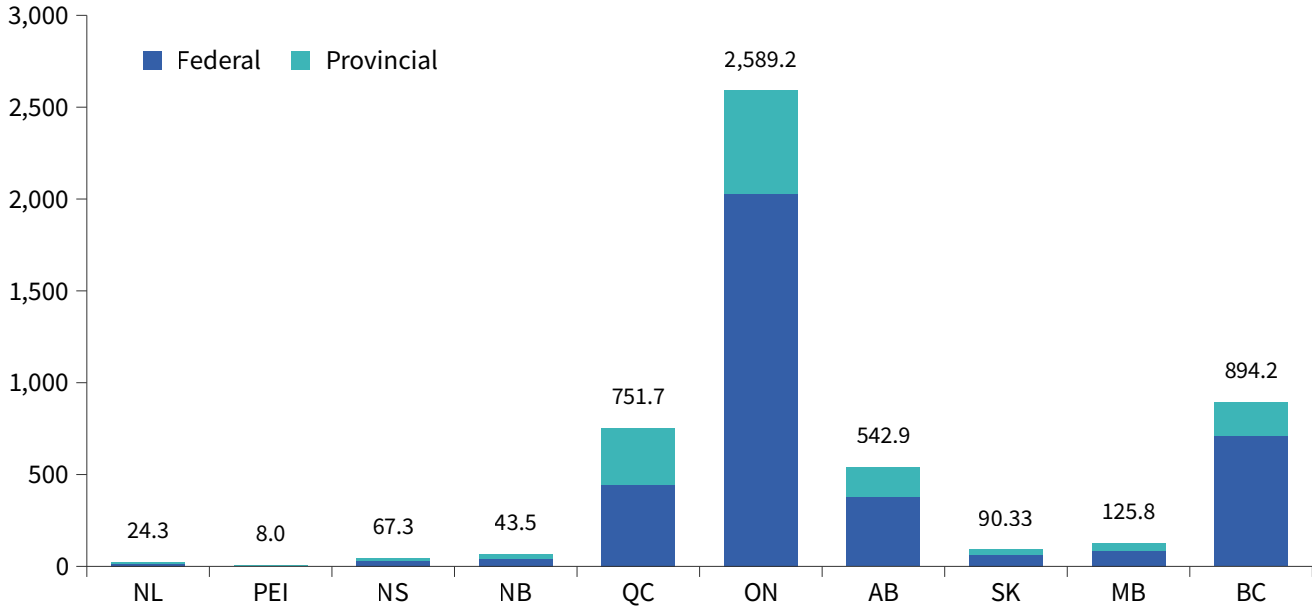
The bulk of the income and payroll taxes are due to income taxes, however, the federal government also collected \$690 million in Canadian Pension Plan and Employment Insurance contributions.

The majority of provincial income tax revenue was received by Ontario, Quebec, British Columbia, and Alberta (see Figure 6).

Figure 6

Average Annual Federal and Provincial Income and Payroll Taxes Collected from Jobs Created by MLS® Systems Housing Transactions, 2020-2022

Dollars (\$ millions)



Note: Totals may not add up due to rounding.

Source: Altus Group Economic Consulting based on Statistics Canada Input-Output Model.

REVENUES FROM MUNICIPAL CHARGES

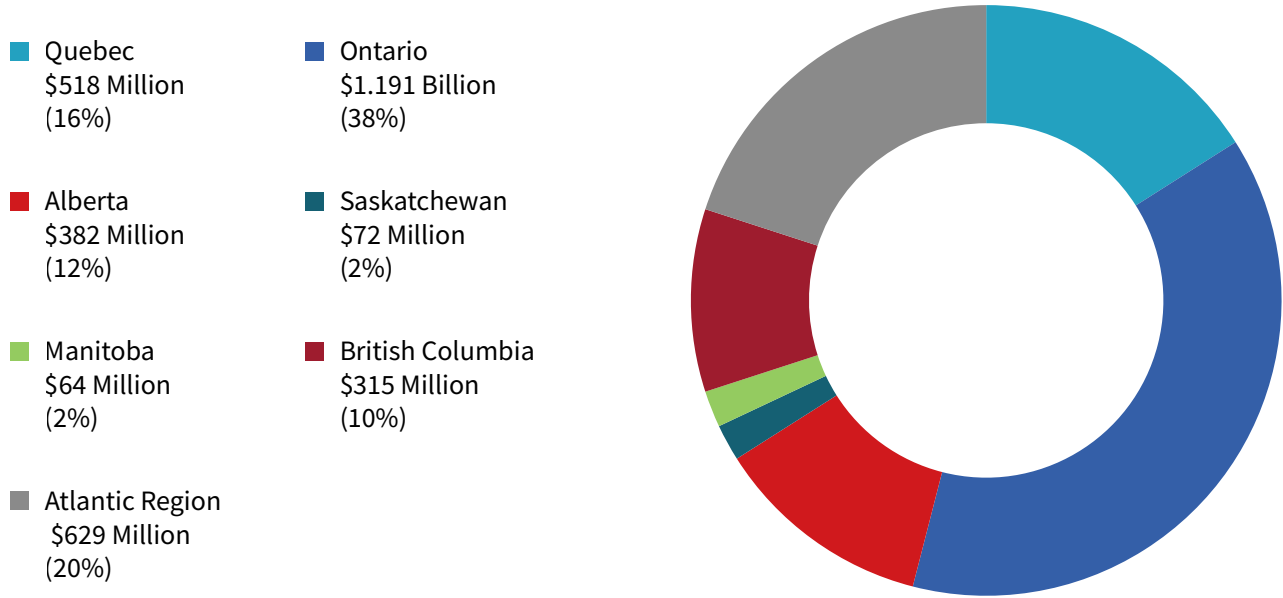
Municipalities derive revenue from charges levied on new developments including infrastructure charges, land dedication and other fees. Revenues accruing to municipalities from municipal fees, levies and taxes are estimated based on the number newly built homes sold through Canadian MLS® Systems.

Municipal fees, levies and taxes are defined to include a wide array of municipal infrastructure charges as well as land dedication fees. According to Statistics Canada, total revenue from municipal fees, levies and taxes totalled \$25 billion per year between 2020 and 2022 across Canada. Newly built homes sold through Canadian MLS® Systems accounted for more than \$2.6 billion, about 11%, of this total.

Ontario accounted for the largest share of municipal charges on newly built homes due to the relatively high number of new homes sold and development charge fees (see Figure 7). British Columbia, Alberta, and Quebec also had significantly higher municipal fees, reflecting the size of their markets compared to other provinces in Canada.

Figure 7

Municipal Lot Levies Generated by Newly-Built Homes Sold Through MLS® Systems, Annual, 2020-2022



Source: Altus Group Economic Consulting based on Statistics Canada Canadian Government Finance Statistics and Survey of Real Estate Boards and Associations.

AGGREGATING REVENUES FROM ALL SOURCES

Total federal, provincial, and municipal government revenue attributed to homes sold through Canadian MLS® Systems averaged \$21 billion annually from 2020 to 2022. At \$7 billion, land transfer taxes accounted for the largest share of total revenues, followed by income and payroll tax revenues. Sales taxes generated by newly built and substantially renovated homes sold through Canadian MLS® Systems also generated relatively high federal and provincial tax revenues, as did municipal fees, levies, and taxes. By comparison, the purchase of general retail goods and services, as well as professional services related to MLS® Systems home sales and purchases generated lower taxes (see Figure 8).

Homes sold through MLS® Systems in Ontario, Quebec, and British Columbia, the three most populous provinces, accounted for almost 86% of total federal, provincial, and municipal taxes (see Figure 9).



Figure 8

Federal, Provincial, and Municipal Government Revenues Generated from Homes Sold Through Canadian MLS® Systems Home Sales, by Spending Category, Annually 2020-2022

- Municipal Charges
\$2.7 Billion
(13%)
 - Taxes on Professional Services
\$1.8 Billion
(9%)
 - Taxes on Retail Goods and Services
\$2.4 Billion
(12%)
- Sales Taxes on Newly-built and Substantially Renovated Homes
\$1.4 Billion
(7%)
 - Land Transfer Taxes
\$7 Billion
(34%)
 - Income & Payroll Taxes
\$5.1 Billion
(25%)



Source: Altus Group Economic Consulting based on Statistics Canada Canadian Government Finance Statistics and survey of real estate boards and associations.

Figure 9
Federal, Provincial, and Municipal Government Revenues Generated, Both Directly and Indirectly, From Homes Sold Through Canadian MLS® Systems, Annually, 2020-2022

	Sales Taxes			Land Transfer Taxes	Income & Payroll Taxes	Municipal Charges ¹	Total
	Professional Services	Retail Goods and Services	Newly-Built and Subst. Renov. Homes				
<i>Dollars (Millions)</i>							
Newfoundland and Labrador	13.6	22.3	16.6	7.1	24.3	20.7	104.6
Prince Edward Island	4.6	8.8	8.2	7.3	8.0	4.2	41.1
Nova Scotia	31.7	59.4	52.7	65.6	67.3	52.7	329.3
New Brunswick	18.0	50.4	30.0	28.1	43.5	32.0	201.9
Quebec	94.2	149.4	166.8	497.8	751.7	518.4	2,178.3
Ontario	979.1	1,230.7	488.9	4,720.1	2,589.2	1,191.1	11,199.1
Manitoba	15.0	27.1	58.1	68.6	125.8	63.5	358.1
Saskatchewan	28.8	53.8	23.8	13.9	90.3	71.6	282.2
Alberta	190.4	306.1	141.5	16.5	542.9	382.3	1,579.7
British Columbia	445.9	478.4	879.3	1,598.7	894.2	314.7	4,611.2
Canada	1,821.1	2,386.4	1,437.0	7,023.7	5,137.3	2,651.2	20,885.5
Federal Governments	786.5	1,048.1	862.2	n/a	3,807.0	n/a	6,503.9
Provincial Governments	1,034.6	1,338.2	1,007.8	5,040.7	1,330.3	n/a	9,751.6
Municipal Governments ¹	n/a	n/a	n/a	1,983.0	n/a	2,651.2	4,634.2
All Governments	1,821.1	2,386.4	1,870.0	7,023.7	5,137.3	2,651.2	20,889.6

Source: Altus Group Economic Consulting, Statistics Canada Government Finance Statistics and Input-Output Model.

¹ Includes the City of Toronto's Municipal Land Transfer Tax

APPENDIX: HOW TAX REVENUES ARE ESTIMATED

The methods by which federal, provincial, and municipal tax revenues are estimated are outlined below.

SALES AND LAND TRANSFER TAX REVENUES FROM MLS® SYSTEMS HOME SALES AND PURCHASES

Spending on retail goods and services, and on professional services associated with housing transactions were taken from the *Economic Benefits 2022* report. These spending estimates and the appropriate federal and provincial sales tax rates and rebates were combined with the average number homes sold through MLS® Systems between 2020 and 2022 to yield sales tax revenues.

Altus Group's *Economic Benefits 2022* report included estimates for land transfer taxes generated by MLS® Systems home sales and purchases from 2020 to 2022. Total land transfer tax revenues were calculated based on the average number of MLS® Systems home sales annually in each province over this period and using applicable land transfer tax rates.

TAXES GENERATED BY NEWLY BUILT HOMES SOLD OVER CANADIAN MLS® SYSTEMS

To calculate the number of newly built homes sold through MLS® Systems, Altus Group consulted with a sample of local real estate boards and associations in 2016. This information was re-used in the current analysis. Respondents provided information on the proportion of total sales that was of newly-constructed dwellings and the price at which these properties sold. This information was used to establish sales price premiums for newly-constructed homes compared to existing home sales. Using this market intelligence, provincial estimates were developed for the number and average price of newly built homes sold through via Canadian MLS® Systems. Provincial estimates were summed to arrive at a national total. Tax revenues generated from these sales were calculated at the provincial level using the appropriate GST/PST/HST rates, and adjusted for GST/HST New Housing Rebates, and provincial rebates where applicable.

INCOME AND PAYROLL TAXES

Labour income estimates were derived using Statistics Canada's Interprovincial Input-Output Model. The current model relates to the year 2019. The model is used to estimate the impacts of various types of economic activities. It shows the interconnectedness of various sectors of the economy when goods and services are produced.

To generate these estimates, an "input structure" for these households was created. The input structure splits the original expenditure among the different inputs in that economic activity. To formulate this input structure, the estimates of average expenditures generated by families who move to a different dwelling, derived from an analysis of Statistics Canada's *Survey of Household Spending*, were converted into the input categories, and then used in a custom simulation of the Interprovincial Input-Output model.

In generating the estimates, expenditures per household are grossed up to \$641 million, excluding taxes, and distributed among the ten provinces using an index of average MLS® Systems transactions over the study period. The results were re-estimated by Altus Group based on average annual MLS® Systems home sales and purchases from 2020-2022.

To embed the impact of trade flows between provinces in the estimates, the model was run as one single simulation for all ten provinces. Accordingly, labour income estimates generated by province in this report reflect the impact of home sales and purchases in all provinces. While most jobs are generated from same-province sales, some cross-provincial effects are present.



Once labour income estimates for each jurisdiction studied were derived using the model, taxable income per job for was estimated using these estimates together with the number of jobs as estimated in Altus Group's *Economic Benefits 2022* report. Income taxes were tabulated using applicable federal and provincial tax rates. Payroll taxes were estimated using Canada Pension Plan contributions, Employment Insurance premiums, and maximum annual contribution levels for 2020 to 2022.

MUNICIPAL CHARGES

Statistics Canada publishes data on developer fees through the Canadian Government Finance Statistics program. Revenues stemming from what Statistics Canada defines as “developer fees” cover various infrastructure charges and land dedication fees.

The latest available data is for the third quarter of 2022, which allowed us to estimate an average annual for 2020-2022.

To estimate municipal charges, lot levies charged per housing completion for each province are calculated and applied to the estimated number of newly-constructed houses sold through MLS® Systems. The results of the ten provinces are aggregated to arrive at a Canada-wide total.

