

Election Proposal Costing

Removing tax exemptions for Real Estate Investment Trusts

April 19, 2025

Removing tax exemptions for Real Estate Investment Trusts (REITs) and subjecting them to the same tax rules as corporations, effective April 1, 2025.

Cost of Proposed Measure

Fiscal year	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Total cost \$ millions	-59	-61	-64	-65	-67	-315

Notes

- Estimates are presented on an accrual basis as would appear in the budget and public accounts.
- A positive number implies a deterioration in the budgetary balance (lower revenues or higher spending). A negative number implies an improvement in the budgetary balance (higher revenues or lower spending).
- Totals may not add due to rounding.

Estimation and Projection Method

The cost of this proposal was estimated as the difference between projected revenues under existing measures in the PBO Election Proposal Costing baseline and projected revenues under a scenario where tax exemptions for REITs were removed and replaced with the same tax rules that apply to corporations. Under the proposed measure, REITs are expected to incorporate. No other behavioural responses were included.

A combination of linear and nonlinear regressions was used to estimate the total amount of net income before allocations, excluding deductions, of REITs in 2025. REITS income was projected over 2025-2030 using the PBO Election Proposal Costing baseline, Capital IQ data and data obtained from the Canada Revenue Agency (CRA). Income of Canadian Controlled Private Real Estate Investment Corporations (CCP-REICs), non CCP-REICs and public REICs was projected using the CRA and Statistics Canada data.

Sources of Uncertainty

The main source of uncertainty is related to the projected income of REITs and the proportions of income distributed to non residents and non-taxable residents, as well as additional behavioural responses.

Data Sources

REIT(s) income

Capital IQ¹ and the CRA

Financial statistics of public and private REITS(s)

Administrative data provided to the PBO by the CRA

Personal income tax rate

Social Policy Simulation Database and Model² (SPSD/M)

The share of private and public corporations in total taxable income

The CRA and Statistics Canada

Trust, corporate and personal tax rates

The CRA and Finance Canada

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 2. This analysis is based, in part, on Statistics Canada's Social Policy Simulation Database and Model (SPSD/M). The assumptions and calculations underlying the SPSPD/M simulation results were prepared by the Office of the Parliamentary Budget Officer (PBO) and the responsibility for the use and interpretation of these data is entirely that of the PBO.

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