



HOTEL ASSOCIATION OF CANADA
ASSOCIATION DES HÔTELS DU CANADA

2025 FALL **BUDGET**

The Hotel Association of Canada's Pre-Budget
Submission in advance of the Fall 2025 Budget.



RECOMMENDATION SUMMARY

Competitive Investment in Destination Canada

RECOMMENDATION #1: Develop and support a competitive international marketing strategy led by Destination Canada by:

- Renewing and making permanent the current investment of \$20 million per year for the highly impactful International Convention Attraction Fund (ICAF).
- Supporting Destination Canada's budget to better compete for international visitors to Canada through additional leisure and events marketing in the US and the creation of a Global Gateway Strategy to leverage international air hubs to attract more visitors to Canada.

Build a Competitive Business Environment

RECOMMENDATION #2: Stimulate private sector investment in hotels, mixed-use developments, staff housing, and other tourism-related infrastructure, through targeted fiscal measures, including:

- Accelerated Capital Cost Allowance with 100% write off in the first year for new buildings, renovations, and equipment.
- The deferral of Capital Gains tax when proceeds are re-invested in capital property.
- Taxing Capital Cost Allowance recapture at the Capital Gains rate (instead of the corporate income tax rate) when sale proceeds are re-invested in capital property.
- The expansion of CMHC Mortgage Insurance to mixed-use hotel/rental apartment projects and staff housing.

Address Workforce Shortages in Hotels

Recommendation 3: Refine international workforce programs to better support hospitality and other high-need sectors.

- **Short-Term Action:** Remove the 20% cap on TFWs for rural and remote hotels to alleviate immediate staffing shortages.
- **Long-Term Strategy:** Support workforce continuity in hard-hit regions by issuing multi-entry visas and work permits—enabling rural, remote, and resort hotels to rehire well-integrated TFWs across multiple seasons.

Context

The tourism sector is a key economic driver, contributing \$130 billion annually to the Canadian economy (approximately 2% of Canada's GDP) and supporting growth across every riding in the country. A cornerstone of the sector is Canada's hotel industry, which generates \$30 billion in annual revenue, \$12 billion in government taxes across all three levels, and employs over 320,000 Canadians.

Canadian hotels are vital contributors to communities across the country, representing a substantial capital asset value of approximately \$74 billion—with even more projected in future development. These investments are closely tied to the local economies and social fabric of their regions. In many rural and remote areas, hotels provide housing for employees, lifting pressure on the local housing stock. The majority of Canadian hotels—about 85%—are small and medium-sized businesses, many of which are family-owned, whether operating under a brand or independently.

Despite a global travel boom and positive interest in Canada from travellers and investors alike, we are falling short on our potential. Destination Canada estimates the national economy risks leaving \$20 billion on the table annually by 2030 without improved competitiveness. To fully realize Canada's tourism growth potential, Canada must address major barriers, including improving tourism competitiveness, fostering a competitive tax and investment climate, and resolving workforce challenges in targeted regions.

Barrier to Growth #1: Improving Canada's International Competitiveness

Destination Marketing

International arrival numbers are slipping, driven largely by consecutive month-over-month drops in visitors from the US, Canada's largest source of international travellers. Tourism spending by international visitors also declined by 3% in the first quarter of 2025, reflecting tougher global competition and ongoing economic uncertainty. Despite softening numbers, sentiment toward Canada remains positive. Data analytics on travel interest and intent, especially from the US and overseas travellers, present a clear opportunity.

Business Events & ICAF

Business events generate \$47 billion annually in visitor spending, playing a pivotal role in Canada's hotel and tourism sectors by driving high-value travel and boosting hotel occupancy even during off-peak seasons. Yet, business events are still lagging pre-pandemic levels, with international business event bookings currently at only 87% of their 2019 pace.

The International Convention Attraction Fund (ICAF) is an initiative designed to enhance the country's ability to attract major international conventions and business events that are aligned with [federal export priorities](#). Managed by Destination Canada, ICAF increases Canada's competitiveness in the global meetings market by bringing federal investment and partnership to strengthen bids to secure global business events and conferences. Since March 2024, it has delivered:

- \$17 to \$1 return on investment
- 45 business events
- 143,641 overnight delegates
- \$348.3 million in direct economic impact
- 2,833 full-time equivalent positions created

RECOMMENDATION #1: Develop and support a competitive international marketing strategy led by Destination Canada by:

- **Renewing and making permanent the current investment of \$20 million per year for the highly successful International Convention Attraction Fund (ICAF).**
- **Increasing and stabilizing Destination Canada’s budget to support additional leisure and events marketing in the US and create a Global Gateway Strategy to leverage international air hubs to attract more visitors to Canada.**

Barrier to Growth #2: Tax Policy and an Uncompetitive Investment Climate

Canada’s tourism sector is an economic engine, but without new investment, we risk falling behind. The hotel industry faces persistent tax and investment barriers that hinder investment and limit growth. For example, Canada’s hotel development pipeline shows billions in lost opportunities: Since 2019, 179 projects have been abandoned¹ (with 41 in the last year alone) and 27 deferred. Without meaningful policy change, Canada is projected to fall short by nearly 20,000 hotel rooms², undermining our ability to meet tourism demand.

With a competitive policy environment, we can unlock the full potential of the hotel industry, driving job creation, infrastructure development, and economic growth in communities across the country. The opportunity is clear: Destination Canada forecasts that by 2030, tourism will grow at a faster rate than the overall Canadian economy, and with the right investments, the industry could generate \$170 billion annually.

RECOMMENDATION #2: Stimulate private sector investment in hotels, mixed-use developments, staff housing, and other tourism-related infrastructure, through targeted fiscal measures, including:

- **Introduce an Accelerated Capital Cost Allowance (ACCA):**
Allow a 100% write-off in the first year for eligible expenditures on new construction, renovations, and equipment purchases related to hotels and tourism infrastructure. This measure would incentivize timely investment and modernization.

¹ Source: CoStar.

² [Fall 2023 Tourism Outlook, Destination Canada](#)

- **Enable Capital Gains Tax Deferral for Reinvestment:**
Permit the deferral of capital gains tax when proceeds from the sale of capital property are reinvested into new capital assets. This would encourage reinvestment and long-term asset development.
- **Adjust Tax Treatment of Capital Cost Allowance Recapture:**
Tax the recapture of Capital Cost Allowance at the Capital Gains rate, rather than the corporate income tax rate, when sale proceeds are reinvested. This adjustment would better reflect the nature of reinvested earnings and support continued growth.
- **Expand CMHC Mortgage Insurance Eligibility to mixed-use projects:**
Extend Canada Mortgage and Housing Corporation (CMHC) mortgage insurance to include mixed-use hotel/rental apartment projects and dedicated staff housing. This expansion would improve access to financing and support workforce accommodation in high-demand tourism regions.

Barrier to Growth #3: Workforce Issues in Rural and Remote Locations

Tourism has made strong progress rebuilding its workforce after the loss of one million jobs during the pandemic. Flexible hours, enhanced training, and staff housing has helped restore employment to 2019 levels. However, rising demand has outpaced recovery, and workforce shortages remain—especially in rural and remote areas.

Leveraging International Labour to Sustain Rural and Seasonal Tourism

HAC's 2025-member survey reveals that workforce shortages continue to hit rural and resort-based hotels the hardest, with 81% of hoteliers in resort regions and 58% in small towns reporting staffing challenges. As a result, many are limiting room availability, losing out on opportunities to grow their business and serve their community.

The reality is that Canada's domestic labour pool is not large enough to fill the industry's most in-demand roles in these areas. Programs like the Temporary Foreign Worker Program (TFWP) should be adapted and prioritized for sectors such as hospitality, where the need for seasonal and remote workers is both urgent and ongoing.

Recommendation 3: Refine international workforce programs to better support hospitality and other high-need sectors.

To address critical labour gaps in seasonal and remote hotels, adjust the Temporary Foreign Worker Program (TFWP):

- Short-Term Action: Remove the 20% cap on TFWs for rural and remote hotels to alleviate immediate staffing shortages.
- Long-Term Strategy: Support workforce continuity in hard-hit regions by issuing multi-entry visas and work permits—enabling rural, remote, and resort hotels to rehire well-integrated TFWs across multiple seasons.

ABOUT THE HOTEL ASSOCIATION OF CANADA

The Hotel Association of Canada is a national association dedicated to identifying and understanding the most critical challenges faced by our industry. We bring together hospitality leaders and key stakeholders to collaboratively problem-solve and mobilize for action.

We translate complex industry data into actionable insights. Through strategic advocacy efforts, we advocate for legislative solutions that create policy impact, while elevating our membership base through innovative and sustainable programming to ensure our industry's continued growth and success.

A cornerstone of Canada's tourism sector, the hotel industry generates \$30 billion in annual revenue, \$12 billion in government taxes across all three levels, and employs over 320,000 Canadians.