

2026

BUDGET RECOMMENDATIONS

Hotels Canada's Pre-Budget
Submission in advance of
the 2026 Budget.



- Recommendation 1: Introduce an Accelerated Capital Cost Allowance with 100% write off in the first year for new hotel buildings, renovations, and equipment.
- Recommendation 2: Allow the deferral of Capital Gains tax when proceeds are reinvested in capital property, similar to the "Like-Kind" rule of the 1031 Exchange in the U.S.
- Recommendation 3: Tax 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.
- Recommendation 4: Commit an additional \$30M to Destination Canada's core budget for international marketing and research.
- Recommendation 5: Provide full access to Canada Mortgage and Housing Corporation mortgage insurance for mixed-use hotel/rental projects with 50%+ residential capacity and proportional access for projects with less than 50% rental capacity.
- Recommendation 6: Support new and existing staff accommodations by: 1. Providing access to Canada Mortgage and Housing Corporation mortgage insurance and preferential lending rates for staff housing; 2. Extending rental housing GST-refund eligibility for hotels that are building staff housing; and 3. Introducing a 100% Capital Cost Allowance rate for staff housing.
- Recommendation 7: Align federal youth programs with the tourism industry to build long-term hospitality talent pipelines by supporting part-time, year-round opportunities that reflect seasonal workforce needs. This can be achieved by modernizing Canada Summer Jobs or introducing a new national youth employment program.
- Recommendation 8: Adopt the Canadian International Workforce Program proposed in the [Reimagining Immigration paper](#) to establish a stable pathway to permanent residency for Temporary Foreign Workers to fill low-skilled, year-round jobs and a temporary stream that includes multi-entry visas to meet seasonal and short-term low-skilled needs.

Hotels are an economic driver across the country, contributing \$32 billion annually to the economy, \$13 billion annually to government revenue, and employing 320,000 Canadians. Hotels are anchor assets for Canada's tourism infrastructure, ensuring the tourism economy can meet demand. These long-term capital investments contribute directly to Canada's core economic priorities: productivity, export diversification, and long-term growth. Strategic action in Budget 2026 can further accelerate the potential of this sector to attract investment, expand tourism exports, provide good jobs for Canadians in every region of the country, and even support housing.

HOTEL INVESTMENT CLIMATE

Opportunity

The hotel industry is an investment powerhouse, representing approximately \$74 billion in capital assets across the country, with \$3.4 billion worth of assets in the pipeline.¹ By enabling reinvestment and new development through competitive investment policies, the federal government can unlock significant private capital and sustained economic growth.

Challenge

Demand for hotel accommodations remains strong, with occupancy rates in major markets averaging in the low 70 percent range, yet investment growth is constrained by an uncompetitive policy environment.² While there are signals of robust development, the volume of project abandonment remains high. Since 2019, 243 hotel projects have been abandoned in Canada, including 95 in the past year alone, resulting in the loss of 11,210 rooms and approximately \$5 billion in capital investment.³ Many Canadian investors are pursuing projects in the United States, where tax and investment conditions more effectively support reinvestment. If current trends continue, Canada is projected to face a shortfall of nearly 20,000 hotel rooms by 2030,⁴ costing the economy an estimated \$5 billion annually. Lower returns, high equity requirements, and limited reinvestment flexibility are constraining the pace and scale of new hotel development in Canada.

RECOMMENDATIONS

- **Recommendation 1:** Introduce an Accelerated Capital Cost Allowance with a 100% write-off in the first year for new hotel buildings, renovations, and equipment.
- **Recommendation 2:** Allow the deferral of Capital Gains tax when proceeds are reinvested in capital property, similar to the "Like-Kind" rule of the 1031 Exchange in the U.S.

¹ Lodging Econometrics Hotel Construction Pipeline Trend Report, Q1 2026; HAC estimate based on the average price of hotel keys/rooms from 2021 to 2025

² CoStar

³ CoStar; Hotels Canada estimate based on STR and HC/CBRE Business Intelligence Report

⁴ Destination Canada, Tourism Outlook: Fall 2023. https://archives.destinationcanada.com/sites/default/files/archive/1889-Tourism%20Outlook%20-%20Fall%202023/Fall%20Tourism%20Outlook_Public%20Report_12.12.23.pdf.

• **Recommendation 3:** Tax 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.

INTERNATIONAL COMPETITIVENESS

Opportunity

International tourism is a high-value, tariff-free export that supports Canada’s trade diversification objectives, generating approximately \$31 billion annually in export revenue through international visitor spending.⁵ International visitors spend five times more and stay six times longer than domestic travellers, generating export revenues that flow directly into Canadian businesses and communities.⁶ Destination Canada estimates that by 2035, tourism could support 10% of Canada’s \$300B trade diversification goal.⁷ Business events are particularly valuable, representing 40% of all tourism spending in Canada, and driving foreign investment, innovation, research collaboration, and global talent attraction.⁸

Challenge

While global travel is booming, Canada has not yet returned to pre-pandemic international visitation levels, leading to a decline in its share of the global travel market.⁹ Destination Canada’s core funding has not increased since 2017 and has failed to keep pace with inflation, limiting its ability to restore lost market share and attract high-value leisure and business travel.¹⁰ Without renewed investment, Canada risks foregoing export growth at a time when trade diversification is becoming increasingly critical.

RECOMMENDATION

• **Recommendation 4:** Commit an additional \$30M to Destination Canada’s core budget for international marketing and research.

HOUSING

HOTEL/RENTAL PROJECTS

Opportunity

⁵ Destination Canada. Value of Tourism. <https://www.destinationcanada.com/en-ca/value-of-tourism>

⁶ Statistics Canada -National Travel and Visitor Travel Survey

⁷ Destination Canada. (n.d.). Tourism outlook 2026–2035. Canadian Tourism Data Collective. <https://www.tourismdatacollective.ca/tourism-outlook-2026-2035>

⁸ Meetings Mean Business Canada. <https://meetingsmeanbusiness.ca/>

⁹ UN Tourism. (2026). World Tourism Barometer. <https://www.untourism.int/un-tourism-world-tourism-barometer-data>; Statistics Canada. Table 24-10-0055-01 Non-resident visitors entering Canada, by country of residence, mode of transportation, arrival type and traveller type. <https://doi.org/10.25318/2410005501-eng>

¹⁰ Budget 2017, announced a stabilization of funding at \$95.5 million for Destination Canada. Accounting for inflation, DC’s is operating with approximately \$28M less buying power each year.

In alignment with the government’s mandate to “unleash the power of public-private cooperation,”¹¹ hotel investors—who are experienced developers—can play a meaningful role in addressing Canada’s housing shortage through mixed-use hotel/rental developments. With expanded access to Canada Mortgage and Housing Corporation (CMHC) mortgage insurance, the hotel sector could deliver over 21,000 new long-term rental units and 14,000 hotel rooms over the next decade.¹²

Challenge

CMHC mortgage insurance rules are restricted to projects with a minimum of 70% residential, limiting the feasibility of mixed-use hotel/rental projects, which are typically 40-60% residential.

RECOMMENDATION

• **Recommendation 5:** Provide full access to CMHC Mortgage Insurance for mixed-use hotel/rental projects with 50%+ residential capacity and proportional access for projects with less than 50% rental capacity (i.e. 45% residential = ability to insure 45% of mortgage).

STAFF HOUSING

Opportunity

Many rural and resort hotels are already reducing pressure on local housing supply by providing low-cost staff housing at a loss. Seventy-one percent of resort hotels provide staff housing, and an additional 36% have housing supports for staff, demonstrating the sector’s active contributions to housing outcomes where supply constraints are most acute.¹³

Challenge

Nearly three-quarters (70%) of resort hoteliers report that a lack of affordable housing is a significant workforce challenge.¹⁴ For rural and resort hoteliers, the need for additional staff housing is clear, yet high interest rates, development fees, material costs, and inflation significantly constrain new construction. Despite the need, staff housing does not qualify for federal housing programs.

RECOMMENDATIONS

- **Recommendation 6:** Support new and existing staff accommodations by:
 - Providing access to CMHC mortgage insurance and preferential lending rates for staff housing

¹¹ Government of Canada. (2025, May 21). Mandate letter. <https://www.pm.gc.ca/en/mandate-letters/2025/05/21/mandate-letter>

¹² Hotels Canada projections for mixed-use hotel development

¹³ Hotels Canada 2025 Fall Workforce Survey

¹⁴ Hotels Canada 2026 Spring Workforce Survey

- Extending rental housing GST-refund eligibility for hotels that are building staff housing
- Introducing a 100% Capital Cost Allowance rate for staff housing

WORKFORCE

YOUTH EMPLOYMENT

Opportunity

Canada’s tourism sector is one of the country’s most important employers of youth, with 25% of all employed youth (15-24) in Canada working in tourism.¹⁵ Hotels play a key role, with 77% actively employing young Canadians and offering accessible entry-level opportunities that build transferable skills and provide pathways to long-term careers.¹⁶ Our sector is actively recruiting youth by offering flexible hours, increasing wages, and providing more training and development opportunities.¹⁷ As youth unemployment remains high, the tourism sector can offer a clear and accessible pathway into the workforce.

Challenge

Federal programs are critical to creating pathways for youth to gain meaningful early work experience, yet they fail to fully leverage the opportunities in hospitality sector. Over half of hoteliers that participated in the Canada Summer Jobs Program did not find it useful (57%).¹⁸ Core challenges include misaligned program timelines relative to the tourism sector’s seasonal demands, as well as the ineligibility of part-time positions.

RECOMMENDATION

•**Recommendation 7:** Align federal youth programs with the tourism industry to build long-term hospitality talent pipelines by supporting part-time, year-round opportunities that reflect seasonal workforce needs. This can be achieved by modernizing Canada Summer Jobs or introducing a new national youth employment program.

INTERNATIONAL LABOUR

Opportunity

Aligning Canada’s immigration system with labour market needs will ensure hotels have a stable and predictable workforce. Greater workforce predictability would allow hotels to expand capacity, improve productivity, and support and protect Canadian workers.

¹⁵ Tourism HR Canada. Emerit, Rapid reSearch Tool: Labour Force Survey Data for Canada’s Tourism Sector

¹⁶ Hotels Canada Spring 2026 Workforce Survey

¹⁷ Hotels Canada Fall 2025 Workforce Survey

¹⁸ Hotels Canada Spring 2026 Workforce Survey

Challenge

Workforce shortages in the hotel sector are structural and persistent, with 53% of hotels continuing to face ongoing labour shortages.¹⁹ Almost three-quarters of hoteliers (72%) report a lack of interest from local workers, despite ongoing recruitment efforts.²⁰ These constraints are especially pronounced for rural and resort employers, where available labour pools are smaller. Reduced access to Temporary Foreign Workers and international students has further intensified workforce shortages, eliminating a critical source of labour supply. Without a predictable labour supply, hoteliers are forced to limit capacity, reduce services, and defer investment, further reducing opportunities for Canadian workers.

RECOMMENDATION

• **Recommendation 8:** Adopt the Canadian International Workforce Program proposed in the [Reimagining Immigration paper](#) to establish:

- A stable pathway to permanent residency for Temporary Foreign Workers to fill low-skilled, year-round jobs
- A temporary stream that includes multi-entry visas to meet seasonal and short-term low-skilled needs

ABOUT HOTELS CANADA

Hotels 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.

¹⁹ Ibid.

²⁰ Ibid.