HOTELS CANADA

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: Align the Excessive Interest and Financing Expenses Limitation (EIFEL) rules with an EBITDA-based adjusted taxable income approach to better reflect the operating realities of capital-intensive businesses like hotels and reduce the compliance burden.

- Recommendation 5: Commit an additional $30M to Destination Canada's core budget for international marketing and research and ensure continued funding for the International Convention Attraction Fund.

- Recommendation 6: 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.

- Recommendation 7: Expand and modernize the Canada Summer Jobs program to build long-term hospitality talent pipelines by supporting part-time and year-round opportunities.

- Recommendation 8: Remove barriers to CMHC mortgage insurance for eligible mixed-use hotel/rental projects.

- Recommendation 9: Support new and existing staff accommodations by:
    - Providing access to CMHC mortgage insurance and preferential lending rates for staff housing
    - Extending rental housing GST-refund eligibility for hotels that are building staff housing
    - Introducing a 100% Capital Cost Allowance rate for staff housing.

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.

HOW CAN THE GOVERNMENT BUILD A STRONG ECONOMY TODAY AND FOR THE FUTURE?

The hotel sector is foundational to Canada's visitor economy, generating investment, supporting trade, and creating employment in every region of the country. To build a stronger economy today and for the future, Canada must foster a competitive environment that attracts private capital, grows international tourism exports, and addresses persistent workforce challenges.

IMPROVE CANADA'S INVESTMENT CLIMATE

The hotel industry is an investment powerhouse, representing approximately $81 billion in capital assets across the country.[1] 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] Nearly half (43%) of respondents to Hotels Canada's Investment Sentiment Survey believe Canada is a less attractive place to invest than the United States. Over the past two years, 46% of investors have considered investing in the US, highlighting how a more competitive tax and investment environment better supports reinvestment and growth.[3] While there are some signals of robust development in Canada, investors are twice as likely to renovate or acquire an existing asset than build a new hotel in the next 12 months.[4] 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.[5] The Excessive Interest and Financing Expenses Limitation (EIFEL) rules also create unnecessary barriers for capital-intensive businesses by imposing significant compliance burdens, making Canadian hotel investments less attractive to domestic and foreign investors. By enabling development through competitive investment policies, the

[1] HAC estimate based on the average price of hotel keys/rooms from 2021 to 2025

[2] CoStar

[3] Hotels Canada 2026 Investment Sentiment Survey

[4] Hotels Canada 2026 Investment Sentiment Survey

[5] CoStar; Hotels Canada estimate based on STR and HC/CBRE Business Intelligence Report

federal government can unlock significant private capital and sustained economic growth.

- **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.
- **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:** Align the Excessive Interest and Financing Expenses Limitation (EIFEL) rules with an EBITDA-based adjusted taxable income approach to better reflect the operating realities of capital-intensive businesses like hotels reduce the compliance burden.

INCREASE INTERNATIONAL COMPETITIVENESS

As a high-value, tariff-free export, tourism plays an essential role in expanding trade with partners and allies around the world. International visitor spending generates $35 billion in annual export revenue—more than double the export value of Canada's aluminum industry—with visitors spending five times more and staying six times longer than domestic travellers.[6] International conventions secured through the International Convention Attraction Fund further strengthen tourism's export contribution by attracting high-value international visitors and generating broader economic benefits through foreign investment, innovation, research collaboration, and global talent attraction. While global travel is booming, Canada has not yet returned to pre-pandemic international visitation levels, leading to an 11% decline in its share of the global travel market—one of the largest market-share losses worldwide, comparable to U.S. losses.[7] 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.[8] Without renewed investment, Canada risks missing an opportunity to leverage tourism as a driver of economic growth, productivity, and trade diversification.

---

[6] Destination Canada. Tourism in Canada, 2025: A pillar of Economic Resilience. https://www.tourismdatacollective.ca/tourism-economic-impact-canada-2025; Statistics Canada. National Travel and Visitor Travel Survey, fourth quarter 2025

[7] 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

[8] 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.

• **Recommendation 5:** Commit an additional $30M to Destination Canada's core budget for international marketing and research and ensure continued funding for the International Convention Attraction Fund.

ADDRESS CANADA'S LABOUR SHORTAGES

Persistent labour shortages pose a serious threat to investment decisions and the future of Canada's economy. Labour shortages in the hotel sector are persistent, with 53% of hotels continuing to face workforce shortages, particularly in rural and resort communities where labour pools are more limited.[9] Reduced access to the Temporary Foreign Workers and international students has further intensified workforce shortages, eliminating a critical source of labour supply and causing hoteliers to limit capacity and reduce services. Labour availability is a key consideration for hotel investors, with almost three-quarters (73%) reporting that access to labour influences their investment decisions.[10] With Canada facing ongoing labour shortages and demographic pressures, immigration is essential to maintaining a strong and growing economy.

• **Recommendation 6:** 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.

HOW CAN THE GOVERNMENT OF CANADA SET YOUNGER CANADIANS UP FOR SUCCESS?

EXPAND CANADA SUMMER JOBS

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.[11] 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.[12] Our sector is actively recruiting youth by offering flexible hours, increasing wages, and providing more training and development opportunities.[13] As youth unemployment remains high, the tourism sector can offer a clear and accessible pathway into the workforce. However, federal programs 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%).[14] Core challenges include misaligned program

[9] Hotels Canada 2026 Spring Workforce Survey
[10] Hotels Canada 2026 Investment Sentiment Survey
[11] Tourism HR Canada. Emerit, Rapid reSearch Tool: Labour Force Survey Data for Canada's Tourism Sector
[12] Hotels Canada Spring 2026 Workforce Survey
[13] Hotels Canada Fall 2025 Workforce Survey
[14] Hotels Canada Spring 2026 Workforce Survey

timelines relative to the tourism sector's seasonal demands, as well as the ineligibility of part-time positions. Expanding and modernizing the Canada Summer Jobs Program would help create more pathways for young Canadians to gain meaningful work experience, build essential skills, and transition successfully into long-term careers.

• **Recommendation 7:** Expand and modernize the Canada Summer Jobs program to build long-term hospitality talent pipelines by supporting part-time and year-round opportunities.

WHERE SHOULD THE GOVERNMENT OF CANADA CONTINUE TO FOCUS ITS EFFORTS TO MAKE HOUSING MORE ACCESSIBLE?

The Government of Canada should continue to focus on expanding housing supply and removing barriers that prevent new housing from being delivered. This includes leveraging the expertise and capacity of private-sector developers, including hotel investors, to deliver mixed-use hotel/rental developments, while supporting workforce housing solutions.

LEVERAGE PRIVATE-SECTOR CAPACITY

In alignment with the government's mandate to "unleash the power of public-private cooperation,"[15] 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.[16]

SUPPORT STAFF HOUSING

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.[17] However, existing efforts cannot fully address the scale of the challenge with nearly three-quarters (70%) of resort hoteliers report that a lack of affordable housing is a significant workforce challenge.[18] 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.

---

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

[16] Hotels Canada projections for mixed-use hotel development

[17] Hotels Canada 2025 Fall Workforce Survey

[18] Hotels Canada 2026 Spring Workforce Survey

• **Recommendation 8:** Remove barriers to CMHC mortgage insurance for eligible mixed-use hotel/rental projects.
• **Recommendation 9:** Support new and existing staff accommodations by:

- Providing access to CMHC mortgage insurance and preferential lending rates for staff housing
- Extending rental housing GST-refund eligibility for hotels that are building staff housing
- Introducing a 100% Capital Cost Allowance rate for staff housing.

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.