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PERCEPTIONS OF TAX OBLIGATIONS AND RELATED NON-COMPLIANCE IN THE REAL ESTATE SECTOR: QUALITATIVE RESEARCH

Final Report

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Canada 

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This public opinion research report presents the findings from 12 focus groups and 20 in-depth interviews conducted by The Strategic Counsel on behalf of Canada Revenue Agency. The study was conducted with 85 individual taxpayers and 20 real estate professionals between February 21st and March 20th, 2023.

Cette publication est aussi disponible en français sous le titre: **Perceptions des obligations fiscales et de l'inobservation connexe dans le secteur immobilier : Recherche qualitative.**

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I. Executive Summary

Executive Summary

A. Background and Objectives

1. Background

The real estate landscape has become more complex in recent years with a perceived lack of housing affordability and other potential barriers to entry into the real estate market occurring with increasing frequency. As such, the Government of Canada is committed to addressing the issue of housing affordability for Canadians. Factors affecting affordability in the housing market have included price increases, high volumes of transactions, investor participation, and rising inflation. These factors have also contributed to increased opportunities for tax non-compliance.

The Canada Revenue Agency (CRA) utilizes a combination of tools and data to detect and address tax non-compliance by taxpayers across all sectors, including real estate. Specific to real estate, the CRA employs risk-appropriate interventions that include outreach and communications, targeted letters, a leads program, and audits. Through audits, the CRA has identified the following key areas of concern related to the real estate sector:

- Reported income that does not reflect a purchaser's lifestyle;
- Property flipping;
- Unreported capital gains on the sale of property;
- Unreported capital gains tax on property sold by a non-resident;
- Unreported worldwide income;
- Unreported goods and services tax/harmonized sales tax (GST/HST) on the sale of a new or substantially renovated home; and
- Tax rebates available to builders and/or purchasers.

It is against this backdrop that the Minister of National Revenue has been mandated to “strengthen the work of the CRA to improve its capacity to audit real estate transactions”.

The CRA is working to ensure that taxpayers involved in the disposition of real estate properties are informed of their tax rights and obligations. It is also recognized that individuals are more likely than other taxpayer segments to have limited awareness on this matter. As such, it has been the CRA's experience that education and outreach efforts targeting individuals (especially those who do not fully understand their obligations) have been influential in impacting their behaviours. Additionally, this approach has been successful in positioning these individuals to be less likely to miss out on deductions, tax credits, rebates, or be subject to unnecessary penalty and interest charges.

2. Study Objectives

The purpose of this research is to collect opinion-based information on existing risks related to the real estate sector. This information is derived from the perceptions of individual taxpayers who have recently participated in the real estate market, as well as professionals in the general business of real estate, property management, and renovations.

The objectives of this study include:

- Exploring factors that contribute to non-compliant behaviour as it relates to real estate transactions and taxation;
- Understanding how non-compliant behaviour has evolved over the years, including any effects from the COVID-19 pandemic;
- Ascertaining the role that Canadians expect the CRA to play with respect to record profits being earned in this sector; and
- Gauging reactions to current and/or future strategies to address non-compliant behaviour in the real estate sector.

The results of this research will be used in the development of strategies targeted towards the real estate sector as well as to inform related public communication campaigns. This research will complement traditional data sources and, in the event it leads to new insights, may inform risk assessment and support targeted compliance activities.

B. Methodology

A total of 12 focus groups comprised of individual taxpayers and 20 in-depth interviews with real estate professionals were conducted between February 21st and March 20th, 2023. The groups and interviews were segmented across five regions – Atlantic Canada, Quebec, Ontario, the Prairies, and British Columbia, with additional segmentation by city to ensure representation of key real estate markets.

Participants were recruited in their official language of choice using either a random digit dialing (RDD) or hybrid telephone and online approach. In total, 116 participants were recruited and 105 participated. All groups and interviews were conducted online via Zoom, with focus groups lasting approximately 90 minutes in length and interviews 45 minutes in length. Individual taxpayers received an honorarium of \$125 for their time and professionals working in real estate received \$200. A total of 10 focus groups and 17 interviews were conducted in English. All focus groups and interviews in Quebec were conducted in French (2 focus groups and 3 interviews).

Qualitative research is exploratory in nature and involves the collection, analysis and interpretation of data that is not easily reduced to numbers. These types of studies yield valuable and rich insights into the opinions of specific target audiences as reflected by their own ‘voices’. However, the semi-structured nature of focus group discussions and interviews, combined with the limited number of participants engaged in the research, means that findings should be considered directional in nature. They should not be considered statistically projectable to the broader population of individual taxpayers or professionals working in the real estate sector across Canada.

C. Key Findings

Most individual taxpayers utilize the services of accountants when it comes to filing their taxes and have low awareness of their tax obligations related to real estate transactions.

- Several commented that the process of filing returns, especially with regards to real estate transactions, has become increasingly complex in recent years, making it difficult for them to complete their tax return on their own. Some participants discussed issues related to the CRA website being challenging to navigate and understand, while others mentioned that it has been difficult to keep up with the many new changes to tax requirements for real estate transactions.
- While an accountant was viewed as the primary source for many individuals to seek advice from when filing taxes for real estate transactions, other professionals participants relied on included lawyers, notaries, mortgage brokers, and mortgage agents. A few reported asking their real estate agent for guidance, however most believed real estate agents to generally be less knowledgeable when it comes to the taxation aspects of real estate transactions.
- Real estate professionals had greater knowledge and were generally better informed about real estate taxation compared to the average taxpayer. However, providing advice or information on tax obligations to their clients was not viewed as a common practice among professionals. Outside of tax intermediaries, most did not feel it was their role or responsibility to do so and several viewed this as a risky activity which could expose them to potential liabilities.

Participants were generally unaware of the types of activities that might be considered non-compliant. There was, however, a belief that non-compliance in real estate is prevalent throughout Canada and is likely more widespread than many are aware of. Views among individual taxpayers were mixed as to whether this type of behaviour was thought to be intentional or unintentional. Meanwhile, professionals working in the real estate sector believed the majority of non-compliance to be intentional in nature.

- Participants expressed a range of views when it came to the motivating factors driving intentional non-compliance. Some felt these behaviours were driven primarily by greed or an opportunity to make 'easy money'. Professionals specifically viewed non-compliance as more likely to be undertaken by those in larger real estate markets (such as the GTA and GVA) and by those with more experience in the industry (e.g., contractors or individuals who were involved in developing, building, renovating, or flipping homes). Additionally, it was felt that in recent years a growing number of Canadians had begun engaging in intentional non-compliance due to increasing financial pressures resulting from inflation and the rising cost of living.
- Those undertaking non-compliant behaviours unintentionally were generally viewed as not being well informed about their tax filing requirements when it comes to real estate transactions.

There was a perception that the COVID-19 pandemic and recent interest rate increases by the Bank of Canada had served to disrupt real estate markets and had negatively impacted the ability of Canadians to correctly file real estate transactions in recent years.

- It was suggested that due to the rise in prices of houses during the COVID-19, individuals may have been reactionary in terms of purchasing and selling property without fully understanding the tax implications of these transactions.
- Throughout the pandemic many experienced significant financial pressures (due to loss of employment/income) and, as such, were thought to be more likely to have either not reported or under-reported real estate transactions out of concerns that they would not be able to afford the

resultant taxes. A similar consequence may be felt throughout 2022-23 due to continued interest rate increases by the Bank of Canada.

Awareness of fraudulent activity occurring in the real estate sector was low among individual taxpayers, but more well known among professionals. While most viewed this type of activity as criminal, many did not make a clear connection between fraudulent activity and non-compliance vis-à-vis tax implications.

- Among those who were aware, most discussed the concept of title fraud, which they had heard about through various channels in recent years. Some professionals were also knowledgeable about mortgage fraud; however, they did not believe this was a significant issue at present due to the stricter rules and processes in place concerning mortgages.

Key motivating factors influencing participation in non-compliance in the real estate sector were price increases in the market value of homes and record profits on the sale of properties.

- Issues related to affordability and inflation, as well as a lack of awareness or knowledge of one's tax obligations were seen as secondary motivators.
- Other motivators, which arose unprompted, included a sense of disillusionment with the federal government (e.g., some did not feel like the money they paid in taxes was being used effectively) and a recent rise in viewership of home renovation shows, which were seen as motivators for people to take on renovations/flipping without fully understanding the tax implications of doing so.

Almost all viewed the CRA's role in tracking non-compliant activity in the real estate sector and increasing efforts to strengthen compliance as important. This was seen as an effective way of ensuring greater accountability and fairness across the tax system and as a way to avoid a heavier burden being placed on those taxpayers who were fully compliant.

- Many believed that the CRA should focus its efforts primarily on targeting the larger players in the real estate sector (such as high net-worth individuals/organizations who are undertaking multiple transactions). Most felt that targeting the average homeowner would not have a significant impact on addressing this issue.
- There was low awareness in terms of any specific activities being undertaken by the CRA to address non-compliance in the real estate sector and many thought the CRA should be doing more on this front.
- Describing actions the CRA could take to address this issue, most believed that audits (accompanied by interests and/or penalties) would have the most impact, particularly for those who are intentionally engaging in these behaviours. Efforts to increase awareness, education, and outreach were also viewed as important, especially in terms of decreasing unintentional non-compliance.

A multi-channel strategy, using online and traditional approaches to reach people at points in time where they are undertaking real estate transactions, was seen as the most effective way for CRA to share information with individual taxpayers. Among professionals, it was felt that the best way to reach those in their industry was through professional or industry associations. Several also suggested that this

information should be incorporated as part of their continuing education and the license renewal process.

- Discussing ways to utilize online platforms, many individual taxpayers suggested running an educational campaign on social media or delivering updates through the CRA website or CRA My Account. It was also suggested that efforts could be made to inform those undertaking real estate transactions about their tax obligations via pamphlets or packages provided through financial institutions, tax intermediaries, or real estate agents. Other suggestions included communicating relevant information through letter mail (alongside other tax documents), hosting workshops, and running booths at trade or home shows.
- Professionals in the real estate sector believed that an effective way to reach those in their industry was through online videos or webinars, especially those that were pre-recorded and could be watched at any time. Several thought that it would also be helpful to have access to more basic information from the CRA (like a tax calculator) that they could share directly with their clients.
- The use of email and telephone to communicate this type of information was discouraged by many. This was primarily due to mistrust stemming from the prevalence of email and phone scams.
- There was also a desire for CRA to be more proactive in providing information related to tax obligations in real estate and it was felt that the CRA had a responsibility to inform Canadians regarding actions they could take to decrease non-compliance. It was the preference of many for the CRA to take an approachable, helpful tone in these types of communications.

Participants tended to favour statements/information from the CRA that are clear and easy to understand, provide taxpayers with new information, and are applicable to a wide audience.

- Messaging that reinforced both resident and non-residents responsibilities for knowing their tax rights and obligations was seen as useful and important.
- Informing participants of their requirement to declare their principal residence was also viewed as valuable, as many were unaware of this requirement and the potential associated penalties.

D. Contract Value

The contract value was \$93,899.61 including any applicable taxes.

MORE INFORMATION

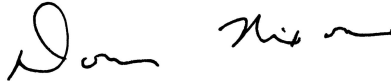
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Statement of Political Neutrality

I hereby certify as Senior Officer of *The Strategic Counsel* that the deliverables fully comply with the Government of Canada political neutrality requirements outlined in the *Communications Policy* of the Government of Canada and Procedures for Planning and Contracting Public Opinion Research. Specifically, the deliverables do not include information on electoral voting intentions, political party preferences, standings with the electorate or ratings of the performance of a political party or its leaders.

Signed:



Donna Nixon, Partner

II. Detailed Findings

Introduction

A. Tax Filing for Real Estate Transactions

1. Participation in Real Estate Transactions and Awareness of Tax Implications

At the outset of each discussion individual taxpayers were asked to identify (from a list) the types of real-estate transactions that they had undertaken over the past four years. Across all groups the most cited transactions were the sale of homes or properties, with at least half of the participants in each group reporting having done this in the past four years. Other frequently mentioned transactions included the acquisition of a second residential property (which many had since rented out or planned to do so in the future) and making substantial renovations to a residential property. Fewer reported severing a plot of land into two or more lots to build residential properties, constructing a new residential property on owned land (to rent out), or purchasing a newly substantially renovated home.

Awareness of tax implications related to these types of real estate transactions was low to moderate among participants. The most often cited tax implications (from most to least mentioned) were:

- Capital gains, with a few mentioning the principal residence exemption (though not by name);
- Tax rebates related to the upgrading of homes to make them more accessible (likely referring to the Home Accessibility Tax Credit (HATC)) and credits related to home renovations;
- The requirement to declare rental income and expenses;
- Sales tax (GST/HST) on new builds (not necessarily regarding substantial renovations); and
- Reporting these transactions as a part of one's individual tax return, versus as part of a business or corporate tax filing.

Although a provincial/territorial requirement, some also discussed the expense of land and/or property transfer tax as an additional implication of purchasing a new property.

Overall, awareness of the tax implications related to real estate transactions among taxpayers was higher among those residing in larger markets such as the Greater Toronto Area (GTA), Greater Montreal Area (GMA), and Greater Vancouver Area (GVA).

Those in the groups comprised of professionals working in the real estate sector demonstrated significantly more knowledge on real estate tax filings compared to the average individual taxpayer. This was particularly evident among participants in 'hot' real estate markets (such as the GTA and GVA) and those who had worked in the real estate sector for a long period of time (i.e., 10 or more years). Many were of the view that it was important for real estate professionals to be knowledgeable of these implications, even if it was not their direct role or responsibility to communicate this information to their clients.

2. Ease/Difficulty of Tax Filing for Real Estate Transactions

Most individual taxpayers believed that they would face difficulties in preparing and filing file tax returns involving real estate transactions without the assistance of a professional. A large number indicated having previously relied upon an accountant to assist them with this and felt that doing so had greatly simplified

the tax reporting process. Participants identified numerous reasons as to why they opted to use an accountant. These included (from most to least mentioned):

- Viewing this as the safest option to ensure there were not any mistakes made on their return;
- The perception that accountants have greater awareness and knowledge with regards to any tax benefits, rebates, or credits that they may be eligible for;
- A lack of personal knowledge related to the tax obligations concerning real estate transactions; and
- To save the time and energy it would take to prepare their return themselves, allowing them to devote their attention to other pursuits.

Some expressed that even if they would typically file their annual tax returns themselves, in years where they had engaged in more complex transactions (such as those related to real estate) they would likely turn to a professional for assistance. While still likely to work with an accountant, a few were of the view that it was important for them to also have a strong understanding as to what their tax obligations are when undertaking such transactions.

A few participants felt knowledgeable enough to file tax returns involving real estate transactions on their own. Among this group, a number of participants reported using tax software (such as TurboTax), which they felt had been effective at prompting them to fill out all the necessary information related to their transaction.

Asked what the CRA could do to make it easier for Canadians to file tax returns related to real estate, participants suggested using more plain and accessible language in its communications and on tax forms, as well as making the CRA website easier to navigate.

3. Seeking Advice/Assistance and Role of Different Types of Professionals

As previously mentioned, almost all individual taxpayers reported relying on their accountants as a primary source for advice and/or assistance when it came to filing their tax returns for real estate transactions. Additionally, some mentioned having worked with lawyers, notaries, mortgage brokers, and financial advisors to assist them in this process. Only a few, however, indicated having relied upon their real estate agent for information related to their tax obligations. Outside of professionals, a small number also reported having utilized the CRA website and other online sources to obtain related information.

Asked if they felt that real estate agents were as knowledgeable as accountants when it came to real estate tax filings, most did not believe this to be the case. Real estate agents were generally perceived as having only a basic understanding regarding the taxation of real estate transactions, while accountants were viewed as having vastly more knowledge in this realm.

Discussing whether professionals proactively provide tax-related advice or assistance to their clients, the feedback was mixed based on the occupation of the professional. While tax intermediaries often provided their clients with advice, particularly during tax season, most others (and real estate agents in particular) indicated that they would be unlikely to provide this type of guidance to their clients. Most real estate agents felt that it was not their role or responsibility to provide this information and many mentioned that they were often discouraged from doing so by their professional associations. Several also expressed concerns regarding the potential risk and liability they might incur by providing tax-related advice to clients.

Instead, most professionals commented that they would likely refer their clients directly to an accountant for these types of questions.

The types of questions typically asked of professionals when it comes to real estate transactions were primarily related to tax implications in terms of if there would be a requirement to pay capital gains or sales tax, what specifically is considered or would qualify as capital gains, how any profits would factor into their income, and ultimately how much they would have to pay. These questions were said to be more commonly asked by individuals who were undertaking their first real estate transaction of this kind. In terms of timing, questions were generally asked by clients to professionals prior to any transaction taking place, however they were less top-of-mind for clients in the pre-planning stages than when they got closer to undertaking a transaction.

B. Perceptions of Non-Compliance Regarding Real Estate Transactions

1. Non-Compliant Activities in Real Estate

Focus group participants as well as interviewees were presented with the following information related to non-compliance of tax filing in the real estate sector:

The real estate landscape has become more complex over recent years and CRA wants to ensure that taxpayers involved in real estate transactions are informed about their tax rights and obligations. By filing their tax returns correctly, taxpayers would be better positioned to not miss out on eligible deductions, tax credits or rebates nor would they pay unnecessary penalties or interest charges. However, recent trends in the market could lead to situations in which real estate transactions may be underreported or unreported by taxpayers. The CRA refers to these as non-compliant.

Asked what activities related to real estate transactions they believed might fall into non-compliance participants provided a range of responses. Many were of the impression that a large number of property owners were either not declaring or under-declaring the income they received from their rental properties. It was believed that this was primarily done in situations where tenants paid their rent in cash, as well as among homeowners who rented their properties out as short-term rentals (through platforms such as Airbnb or Vrbo). A few had also heard accounts of landlords over-reporting rental related expenses, for example by claiming renovation or utility expenses that are not directly related to their rental property.

Another potential instance of non-compliance cited by participants was not reporting or under-reporting the sale price of a property to avoid paying or reduce the amount of capital gains taxes they owed. Participants identified various ways in which they believed this was occurring, including through private sales and transactions and those transactions which were primarily cash based. Others raised the possibility of errors being made related to claiming the principal residence exemption. A few recalled hearing accounts of homeowners whose spouses had claimed secondary properties as their primary residences to avoid paying capital gains upon the sale of these properties. There were also a few perceived 'grey areas' noted by participants around capital gains exemptions. These included a lack of clarity related to the length of time required for a property to be deemed a primary residence and the rules regarding whom specifically was required to live in the residence for it to qualify.

Other potential acts of non-compliance suggested by a small number of participants included:

- Avoiding paying tax on vacant homes in jurisdictions where this is subject to taxation;
- Not reporting real estate transactions which occur outside of Canada;
- A lack of awareness regarding the tax obligations related to the collection and remittance of GST/HST;
- Misunderstandings related to the tax obligations of severing a property lot; and
- Engaging in practices such as shadow flipping.

Awareness of non-compliant behaviour was notably higher among professionals working in the real estate sector. Among these participants, a range of potential issues were mentioned. These included:

- Not reporting the profits from the flipping of homes as a way to avoid paying capital gains tax;
- Inaccurate declarations of a principal residence to avoid paying capital gains. It was felt that this was typically done by individuals who owned several properties and/or who had recently flipped a property and claimed that they had resided in that residence;
- Reporting property flips as part of a personal tax filing rather than as business income, allowing them to be taxed at a lower rate;
- Not claiming rental income (particularly among those who operate short-term rentals);
- A lack of awareness as to which types of transactions GST/HST applies to; and
- Inaccurately claiming rebates (such as the First-Time Home Buyers' tax credit (HBTC)) when one is not eligible.

Frequency of Occurrence and Intention

Many believed that these types of non-compliant behaviours were occurring with increasing frequency and that this had become a widespread issue throughout Canada. This view was widely held by those residing in larger urban centres such as the GTA and GVA. On balance, those living in Atlantic Canada, Quebec, and in the Prairies felt that non-compliant behaviour was less common in their regions compared to other parts of the country.

A similar pattern emerged among participants regarding whether they thought that these non-compliant behaviours were being carried out intentionally. While views were mixed overall, those living in larger centres (such as the GTA and GVA) were more likely to view this behaviour as intentional compared to those residing in more mid-sized centres or in less active real estate markets.

Participants largely felt that those who inadvertently engaged in non-compliant activities generally lacked awareness of their tax rights and obligations and expected that they were likely filing their taxes on their own without any outside help from a tax intermediary or other financial advisor. It was also suggested that several recent changes to the tax laws related to real estate transactions might be contributing to a higher degree of unintentional non-compliance. The following groups were identified by participants as being more likely to undertake this behaviour unintentionally:

- Newcomers to Canada, who may have come from countries with significantly different tax laws;
- Older Canadians who may have outdated knowledge related to their real estate tax obligations; and
- Younger individuals who are likely to have less experience in making large real estate transactions and have limited knowledge regarding how to properly prepare and file their taxes.

While individual taxpayers largely believed that the main driver behind intentional non-compliance was to avoid a tax burden, they held two different opinions as to why Canadians were undertaking this behaviour. The first was primarily related to greed. It was felt that many individuals were willing to take on the risks of being non-compliant due to them having done so before with little to no repercussions. It was expressed that these individuals would likely continue to engage in non-compliant behaviours until they were penalized. Unprompted, participants identified several specific subgroups of the population that they perceived as more likely to be intentionally non-compliant. These included:

- Those with more experience undertaking these types of transactions – including developers, companies/individuals engaged in property flipping, investors, and foreign buyers;
- Those who operate rental properties – particularly short-term rentals (such as Airbnb);
- Younger Canadians who may have less income and would otherwise be unable afford significant tax bills and are more willing to take these risks; and
- Those residing in larger urban centres and more active real estate markets.

The second reason believed to be motivating non-compliance was that many Canadians, particularly in recent years, were finding themselves facing greater financial pressures. It was expressed that difficulties in making ends meet financially might be driving Canadians to take increased risks when it came to their taxes. This motivator was generally viewed as more acceptable by participants as these individuals were thought to be engaging in non-compliant behaviours out of desperation rather than greed.

Compared to individual taxpayers, those working in the real estate industry believed that non-compliant behaviour was occurring quite frequently at present. Those working in larger markets such as the GTA and GVA felt that many in their communities were engaging in acts of non-compliance. Professionals were also more likely to view this behaviour as being undertaken intentionally and felt that it was particularly common among larger businesses, developers, and contractors who are engaged in the building and/or flipping of homes as a part of their regular business practices.

Canadians Awareness of Tax Obligations

Participants largely were of the view that most Canadians were unaware of their tax obligations with respect to real estate transactions. While it was believed that a sizeable percentage of Canadians (and especially those who had previous experience with real estate transactions) had some understanding of their basic tax obligations, it was thought that most did not have detailed knowledge of the tax system and how it applies to real estate. It was widely seen as important for Canadians to have a basic knowledge of their tax obligations. Several suggested that this could be facilitated by the CRA through the development of additional resources to help educate Canadians on this aspect of preparing and filing their taxes. Many also felt that it was important for Canadians to continue to work with experts, such as tax intermediaries, to ensure that their annual taxes were being filed accurately.

Professionals working in the real-estate sector were also asked whether they believed that Canadians were generally aware of their tax obligations for real estate transactions. Almost all were of the opinion that Canadians did not have a strong or full understanding of what their tax rights and obligations are.

2. Fraudulent Activities in Real Estate

Most individual taxpayers and almost all professionals believed that there is significant fraudulent activity happening in the real estate sector. In terms of what types of scams or fraudulent activity were seen as most common, many were unsure and unable to state any specific types. Some believed these activities to be more criminal in nature and generally larger in scale.

While most were unaware of the types of individuals perpetrating these scams, with the exception of those involved in organized crime, some felt that there were certain groups who may be more susceptible to scams. Participants suggested that those who could fall victim would likely be individuals with lower educational attainment that may not have the ability to fully comprehend or understand the complexities of tax legislation. Additionally, participants suggested that individuals who may not be as aware of their tax obligations may also be particularly vulnerable. This view was expressed more often by participants residing in Montreal, Calgary, and Edmonton.

Across all groups, it was believed that the COVID-19 pandemic was a contributing factor that has led to an increased amount of fraud and non-compliance in the sector. Reasons for this were similar to other responses throughout the discussion, as participants believed that the COVID-19 pandemic had negatively impacted the financial situation of many individuals and families, which they felt could drive some to be more likely to commit fraud.

When asked if fraudulent and non-compliant activity in the real estate sector is making housing affordability a challenge for Canadians almost all individual taxpayers and professionals did not think so and could not make any sort of connection between the two ideas. Instead, participants provided a multitude of other factors which they believed were more likely to be contributing to making housing affordability a challenge for Canadians. These included “supply and demand,” “international buyers,” “companies purchasing properties,” and “landlords evicting tenants, renovating the property and raising the rent.”

Following this top-of-mind discussion, individual taxpayers and professionals were then asked if they had heard of three specific types of fraud: foreclosure fraud; title fraud; and mortgage fraud. If participants were unaware of these types of fraud by name, moderators then shared the following definitions and examples to clarify and further gauge awareness.

- **Foreclosure fraud** usually happens when the homeowner is having trouble making their mortgage payments. They may be tricked into transferring their property title to somebody to get a loan to help make payments. Fraudsters keep the payments and also possess title, which they can resell or remortgage.
- **Title fraud** involves identity theft whereby fraudsters make fake identification, after gathering personal data on the victim, forging documents such as titles to properties. If notaries don't ask for the originals, scammers claiming to be the owners can remortgage the property. If the property is mortgage-free, they can walk away with up to 80% of its value. Some fraudsters assume total title, impersonate the homeowner and sell the houses to unsuspecting buyers, then disappear with the profits. Virtual real estate transactions have made this more commonplace, especially with vacant investment properties where the homeowner is away for an extended period.
- **Mortgage fraud** usually occurs between the bank and the notary, by way of the broker. Just like some buyers are tempted to lie on their mortgage applications, brokers sometimes forge documents to get loans approved. For example, an income of \$57K might be reported as \$75K, or

credit scores might be altered by employees. These kinds of activities mean that some applications are approved with false information when they should not have been.

By far, **title fraud** was the most well-known amongst participants, with many indicating that they had heard of it. Compared to the other types of fraud, title fraud was cited as more well known because it had been the subject of many recent news stories, in a documentary, in TikTok videos and one participant stated they knew a person who fell victim to this.

When it came to **mortgage fraud**, most stated that they had heard of it, however only a small number could correctly explain or provide an accurate example unprompted.

With respect to **foreclosure fraud**, most individual taxpayers and professionals admitted to having no awareness of it. There were a few who first claimed to know what it was but were unable to provide an accurate definition when asked. Hearing the definition and the example provided by the moderator did not prompt participants to further recall this type of fraud.

It is important to note that no Francophone participants or interviewees could provide a guess as to what a fraud “en matière de forclusion” was. While low awareness of this type of fraud was similar to what was heard among English-speaking participants and professionals, that greater issue was the French term itself. To their recollection, no one had ever heard the word “forclusion”.

3. Drivers of Non-Compliant Behaviour

After having discussed some of the behaviours and miscalculations that have been occurring related to non-compliance, participants were asked to select from the list below, which factors or drivers they felt would most influence people to undertake this behaviour.

Individual taxpayers were asked to complete a poll where they could select up to (but no more than) three options. Alternatively, if participants felt there was another factor that was not listed, they were provided the opportunity select the ‘other’ option. The moderator then reviewed participants selections and probed around why they chose the factors they did. These poll results are included in section D of the Appendix at the end of the report. During the interviews, professionals were shown the list on screen and asked to provide their responses aloud to the interviewer.

The factors/drivers provided to participants included:

- Price increases in the market value of homes;
- Record profits in the sale of properties;
- An overall increase in the number of real estate transactions occurring;
- Affordability/inflation; and
- Lack of awareness or knowledge about their tax obligations related to these transactions.

By far, **price increases in the market value of homes** and **record profits in the sale of properties** were the top two motivating factors believed to have influenced participation in non-compliance in the real estate sector in recent years.

There was a perception that some Canadians were determined to take advantage of a recent rise in house prices. However, it was believed that those who had done so may not have fully understood some of the tax implications related to this. For example, an individual may have decided to sell a property at higher

prices without realizing the implications that the higher price would have in terms of the gains they are required to pay. When it came to record profits, participants perspectives were slightly different. They spoke about the opportunity that some Canadians saw in terms of ‘easy money’ to be made. Participants felt that once this money was made, taxpayers felt ownership over it and wanted to keep as much as possible for themselves. Many participants simply referred to the motivating factor here as ‘greed’.

A secondary motivator was related to **affordability and inflation**. It was discussed that increases to cost of living and inflation (in part due to COVID-19), have put financial pressures on many Canadians. It was felt that individuals in this situation likely feel they need to do what they can to improve their own financial situation, which in some case meant putting their basic needs before considering paying real estate related taxes.

A **lack awareness or knowledge about one’s tax obligations** was also seen by many as a factor for non-compliance occurring. This was viewed as the main reason for unintentional compliance. Participants generally felt that ‘people don’t know what they don’t know’. Some specifically indicated younger Canadians and newcomers as key groups for which further education about tax obligations could be provided to.

An overall **increase in the number of real estate transactions occurring** was not seen as motivating compared to other drivers previously noted.

Other motivators, which arose unprompted, included:

- Among some participants, particularly those living in the Atlantic and Prairies regions, there was a sense of disillusionment with the federal government (e.g., some did not feel like the money they paid in taxes was being used effectively) which was seen as a motivator for people to underreport or not report their real estate transactions.
- A few professionals also attributed some of this behaviour to a recent rise in viewership of home renovation shows. These shows were seen as motivators for individuals to take on renovations/flipping without fully understanding the tax implications of doing so.

4. Trends in the Real Estate Market Impacting Tax Filing

Discussing whether one typically keeps themselves updated on current real estate market trends and information, a larger number of individual taxpayers indicated doing so, compared to those who did not. For several, real estate was viewed as an important component of their financial situation and felt this was an important area to remain up to date on. Other reasons for researching real estate trends included being currently involved in carrying out real estate transactions and/or expecting to do so in the future, as well as finding information to assist their children or other family members who may be considering purchasing a home. Almost all of those working as professionals in the real estate sector indicated that they followed the real estate market closely and believed that this was important for them to do as part of their careers. Asked where they would typically find this information, participants reported encountering it through news outlets (such as CBC and CTV), via social media platforms (including Facebook and Twitter), online websites (such as Condos.ca), and by word of mouth from friends, family, and colleagues. Several also indicated receiving this type of information through correspondence from real estate agents. Those working in real estate also mentioned regularly receiving this information through their employer or through professional and/or industry associations they belonged to.

Asked whether they felt there were any specific trends or forces in the real estate market that may have impacted the ability of Canadians to correctly file returns related to real-estate transactions in the past five years, participants put forward a range of responses:

- Recent decisions by the Bank of Canada to raise interest rates. It was felt by many that these actions had placed a large number of homeowners (especially those with variable rate mortgages) into more financially precarious positions over the past year. Related to the increasing financial pressures being felt by Canadians, a few commented that the COVID-19 pandemic had also negatively impacted the financial situation of many households. It was speculated that this might be contributing to a larger number of individuals deciding to engage in non-compliant behaviours as a way to continue to make ends meet;
- Perceived frequent changes to taxation rules in recent years. It was thought by several participants that the numerous changes to tax-related legislation had led to more homeowners making mistakes on their returns, thus increasing the rate of unintentional non-compliance. A number of individuals specifically mentioned having faced challenges related to changes to the principal residence exemption and had found it difficult to determine how to designate a property as a principal residence;
- The increasing prevalence of short-term rentals on platforms such as Airbnb. It was felt this had led to many homeowners to underreporting the income they have derived from these properties; and
- Misinformation on social media as to how to navigate the buying and selling of homes and ways to avoid paying taxes on these transactions. Some expressed concerns that this had led to individuals making inadvertent mistakes on their tax returns or being prompted to consider engaging in actions to intentionally reduce or evade their tax obligations.

Questioned whether additional supports for homeowners such as increases to the First-Time Home Buyers' Tax Credit (HBTC) and the introduction of the Home Accessibility Tax Credit (HATC) had increased non-compliance behaviour, most felt these programs had instead served to decrease this behaviour. It was thought that with these additional supports being made available by the federal government that homeowners were now incentivized to a greater extent to be compliant and up to date on filing their taxes. A few participants felt that while some individuals may be underreporting their income to qualify for these credits, this type of behaviour was not generally thought to be widespread.

C. Views on Tracking and Strengthening Compliance

1. Perceived Importance of CRA to Track Non-Compliance in Real Estate Sector

Asked to share their views on the importance of tracking non-compliance in the real estate sector and their understanding as to what CRA was doing in this regard, most focus group participants felt that it was important for the Government of Canada and CRA track and investigate these activities. This view was largely held by participants in all regions and markets, with the exception of those in Atlantic Canada with homes valued at less than \$500,000, who were generally indifferent towards this issue.

Several supported a stronger focus from the CRA towards uncovering non-compliance, believing this would help to ensure greater accountability and fairness across the taxpayer base. By contrast, others were of the

view that the CRA should target its resources more towards those engaged in significant real estate transactions in terms of the dollar value associated with the sale of or income generated from a property. Many, however, qualified their opinion by adding that the CRA should focus primarily on those who own multiple properties and/or have undertaken multiple real estate transactions within a short time period, rather than average homeowners.

It was widely felt that real estate investors and/or those undertaking real estate transactions as a source of significant income generation were likely motivated to not report or underreport their income to a greater extent than individual homeowners. At the same time, however, a few questioned whether the CRA was truly committed to addressing intentional non-compliance by real estate investors considering how widespread they perceived this behaviour to be. A few participants held the view that the CRA was pursuing the wrong targets and was focused more on targeting smaller organizations or individual homeowners, rather than larger organizations, due to the amount of effort/time these larger files could take to address.

Participants offered numerous reasons as to why they felt it was important to address non-compliance in the real estate sector. These included:

- The need for accountability within the Canadian tax system;
- A sense that all taxpayers should be paying their 'fair share' and/or 'playing by the same rules';
- Concerns that leaving this issue unaddressed could further exacerbate issues related to housing affordability;
- Concerns that the tax dollars which are not being collected due to non-compliance represent a significant loss of revenue for the Government of Canada. It was felt that this could potentially limit the ability of the federal government to deliver vital services and programs to Canadians;
- The perception that identifying and addressing tax non-compliance is a core part of CRA's mandate; and
- A belief that if Canadians were more aware of the issue of non-compliance in the real estate sector and the consequences of under-reporting or fraudulent activities, they would be more inclined to see action taken to address the issue. Some felt that too many individuals were of the impression that it was easy to avoid paying taxes related to real estate transactions and were operating under the assumption that the CRA would be unlikely to assess these transactions.

While most felt that it was important for the CRA to identify and address non-compliance, a few residing in Canada's more active housing markets were somewhat less supportive. These participants were of the view that the Government of Canada should look elsewhere to increase its tax revenues rather than focusing on individual taxpayers who they perceived as taking these actions out of necessity to improve their financial situation and continue to make ends meet. It was expressed that there was few tax 'loopholes' left through which average Canadians could benefit. Moreover, some perceived the current tax system to be imbalanced, believing it provided numerous avenues for major corporations to reduce their tax burden while individual taxpayers (with the exception of the wealthy), are unable to do so.

In interviews conducted with professionals working directly or indirectly in the real estate sector, comments regarding the importance of addressing non-compliance in the real estate sector aligned with those offered by focus group participants. Most professionals believed that it was important to address non-compliant behaviours, citing fairness as an issue and the negative impacts non-payers or non-compliant taxpayers have on Canadian communities, society, and the country as a whole. Many also saw

tax compliance as a basic responsibility and believed that those who avoided their obligations placed a heavier financial burden on those taxpayers who are fully compliant. At the same time, however, some questioned the extent to which the Government of Canada should prioritize this issue given the wide range of other issues requiring its attention. Some questioned whether a cost-benefit analysis would be able to justify the CRA devoting greater resources and attention towards addressing this issue.

Several professionals were unconvinced that there was a strong rationale for avidly pursuing non-compliance among individual real estate investors, believing that any inaccuracies in reporting were likely unintentional, infrequent in nature, and ultimately would be insignificant from the standpoint of the overall revenue lost by the Government of Canada. Others felt that a targeted focus on high-net-worth individuals would likely be more effective. Several, however, also expressed concerns that non-compliance, if left unaddressed, would exacerbate issues related to housing affordability and adversely impact younger generations of taxpayers and prospective homeowners.

A few professionals also expressed concerns that placing a greater focus on addressing non-compliance would increase pressure on individual taxpayers to engage the services of accountants and other tax experts to ensure they are reporting accurately to CRA. It was thought that this would likely be costly, especially for those individuals who typically prepare and file their tax returns themselves and/or utilize online tax services or tax software. These individuals underscored the need for the CRA to flag important questions regarding real estate transactions that taxpayers should be aware of when completing their tax returns. Others wanted to ensure that however the CRA decided to address this issue, it would do so with a sense of compassion towards taxpayers, especially those who may not have adequate knowledge of the Canadian tax system and may be facing multiple competing financial pressures.

2. Awareness of and Views on CRA Activities

Very few were aware of any specific activities currently being undertaken by the CRA to address non-compliance in the real estate sector. Among those who reported having some awareness of recent initiatives from the CRA, the following actions and announcements were mentioned:

- The implementation of a tax on foreign buyers on the price of homes bought anywhere in Ontario (referring to the Non-Resident Speculation Tax (NRST) which is levied at a rate of 25% in Ontario and 20% in British Columbia);
- Interests and/or penalties for non-compliant behaviours;
- Notifications by the CRA regarding potential non-compliance;
- Monitoring or checks being undertaken to ascertain if suites/homes are being left vacant;
- Monitoring of any potentially fraudulent activity in the real estate sector;
- The development of large databases including data on home ownership; and
- Leads programs in cooperation with construction companies and developers engaged in the building and/or selling of new homes or properties.

Participants were informed that the CRA undertakes education and outreach programs, letter campaigns geared towards specific audiences, gathers leads, and conducts audits to help address non-compliance. When asked which of these actions they felt would have the most impact, there was a strong consensus among participants that a combination of education and audits would be most effective. Participants were of the view that education initiatives that focused on improving awareness and knowledge of tax obligations in particular would have a positive impact, especially for those who may lack the necessary knowledge to fully understand the tax implications of various real estate transactions. Several remarked

that such efforts should be undertaken by CRA with an aim to being supportive and helpful rather than focusing on the financial consequences (e.g., penalties) of mis-reporting or non-reporting. A few also stressed the importance of directing educational outreach to younger Canadians and new arrivals who may be more vulnerable to fraudulent behaviours as well as less knowledgeable in general of Canada's tax system. Some also believed that CRA should emphasize the links between tax compliance and economic growth, particularly focusing on the benefits of taxes to the broader economy.

Audits, accompanied by interests and/or penalties, were seen by many participants, including tax intermediaries and other professionals, to be a crucial way of targeting those who are intentionally non-compliant. This was felt to be especially important for those who had engaged in non-compliant behaviour on multiple occasions. Most felt that education alone would not be effective for these individuals. At the same time, however, some expressed concerns that being overly focused on audits and enforcement may not be perceived positively by some Canadians. A number expressed the opinion that the CRA would likely need to employ a variety of tactics given that some taxpayers would respond more positively to education and information initiatives, while others would only adjust their behaviours in response to the prospect of facing more punitive measures.

A number commented on other approaches the CRA could take to address issues of non-compliance, including the establishment of tiplines and letter campaigns targeted towards those thought to be participating in non-compliant types of activities.

Among the group of professional real estate agents, developers, tax intermediaries, and others who were interviewed as part of this study, several were unconvinced that a leads program would be viable or generate any useful feedback.

Several participants in Atlantic Canada noted that any CRA initiatives to counter non-compliance in the real estate sector should also ensure that CRA staff are available to address taxpayers' questions and concerns. It was felt that it was often difficult to reach a CRA representative to discuss these issues.

While most were of the view that the CRA should be doing more to address issues of non-compliance in the real estate sector, a few were more unsure. Some remarked that they had not seen much information on this topic and were uncertain as to the extent of this issue. Among these participants there was a desire for the CRA to share information on the size and scale of non-compliance and the effectiveness of its outreach efforts thus far.

Some participants took the opportunity at this point in the discussion to underscore that the CRA and the Government of Canada should, in their view, be focusing on other priorities. It was their view that other issues in the real estate sector, combined with inflationary pressures and the rising cost of living, were causing volatility in housing prices and mortgage rates. It was thought that this represented a greater priority in terms of protecting Canadians and ensuring that households would continue to be able to make ends meet.

A few professionals who worked in the real estate sector shared the opinion that reducing red tape and making it easier for taxpayers to complete their tax returns and get assistance from the CRA when needed would also improve overall levels of compliance.

D. Communications and Outreach

1. Sharing Tax Related Information on Real Estate Transactions with Canadians

Participants also discussed what they felt would be the most effective methods for the CRA to communicate and share tax-related information regarding non-compliance in the real estate sector. A variety of channels were suggested by individual taxpayers. These included:

- Social media. Many felt that social media was the best way to reach a broad audience with an educational campaign. Additionally, it was suggested that posts on social media could be used to direct people to the CRA website to receive more detailed information;
- Through financial institutions, such as banks. It was felt that banks often play a large role in real estate transactions and, as such, many viewed this as an easy channel to distribute targeted information related to real estate tax filings to individuals actively participating in the real estate sector;
- On the CRA website or through CRA My Account. It was suggested that the CRA website and CRA My Account were the most efficient ways to deliver regular updates with the most current information and that Canadians often paid attention to communications they received directly from the CRA;
- Mail campaigns. Some felt that letter mail with relevant information delivered in and around tax time or accompanying other documents related to tax filings would prompt more Canadians to take notice of these issues;
- Through tax intermediaries, such as accountants. Many viewed tax professionals as being among the best equipped to distribute tax related information and advice given their expertise in the field; and
- Through real estate agents. It was felt that real estate agents were naturally suited to share tax-related information pertaining to real estate. Many thought that this information could be incorporated as a component of an agent's continuing professional education.

Other suggestions as to how to best communicate this information included seminars or workshops offered by CRA and booths at trade or home shows. Participants generally discouraged the use of email and telephone to communicate this type of information due to mistrust stemming from the prevalence of email and phone scams.

A number felt that the CRA could be more proactive in providing information related to tax obligations in real estate and that the CRA has a responsibility to inform Canadians regarding how to assist in decrease non-compliance. It was of particular importance to many that the CRA develop ways to improve its communications of new policies and changes to existing tax legislation.

2. Sharing Information on Non-Compliance and Tax Related Information with Professionals

Asked to share their perspectives regarding the best ways for CRA to share tax-related information with professionals to help inform clients of their tax rights and obligations, a wide range of channels were suggested by those working in the real estate industry. These included:

- Working with professional or industry associations. Many felt that communicating through associations was a simple way to target real estate agents/brokers and accountants. It was noted that newsletters could be used to distribute information and/or used to promote informational sessions;
- Through courses included in continuing education programs. Several viewed these courses as an efficient way to distribute information. Real estate agents noted that they were required to renew or update their license every two years and that this typically involved the completion of an update course. It was thought that information related to real-estate tax filings and non-compliance could be included as material in these courses;
- Via online webinars or videos. Online webinars were viewed as informative although restrictive in terms of timing. Many felt that free online videos, in short format, offered on platforms such as YouTube, could allow for greater flexibility for busy professionals as they could be viewed at any time;
- Social media. Some expressed that social media campaigns could be used to target professionals who actively use social media for their business; and
- In-person educational sessions. It was suggested that the CRA could conduct educational sessions hosted at various professional offices. Many saw value in the personable aspect to this approach, feeling that it would be friendlier and more helpful in nature. Real estate agents also felt that inviting clients to participate in these sessions was an effective way to connect individual taxpayers with the CRA.

Contrary to individual taxpayers, professionals generally discouraged the use of letter mail to disseminate information as it was thought that these types of communications were often overlooked or discarded.

When asked how the CRA could reach out to and educate people undertaking non-compliant behaviours in the real estate sector, many mentioned including some form of a pamphlet accompanying with regularly scheduled mail (such as property tax bills). It was noted that these communications could be friendly in nature and positioned as a 'did you know?' rather than as a firm instruction. Participants felt that it was important for the CRA to be viewed as helpful and willing to provide the tools to help taxpayers be compliant. Additionally, participants expressed a need for information to be communicated in easy-to-understand language for those not familiar with their tax obligations. Lastly, as with individual taxpayers, professionals noted that the information needed to be distributed by a legitimate source given the prevalence of scams.

E. Perceptions of Key Statements

Individual taxpayers who participated in the focus groups were also presented with a series of four different statements and asked to share their perceptions of each.

Note to Reader: The statements were rotated for each group to eliminate any ordering bias in the responses of participants. After the first four groups, statements 1 and 4 were modified to help improve participant's understanding of the statement. As such, results for these statements are only reported for groups 5-12 inclusive. More information on this is included in section III. Methodology B. Research Approach towards the end of this report.

The proposed statements received varying levels of support among participants. Overall, while none of the statements resonated strongly with participants, each was viewed as having its own strengths and weaknesses as outlined below. On balance, participants tended to favor those statements that were clear and easy to understand, provided taxpayers with new information, and/or were applicable to a wide audience.

1. Evaluation of Statements

The statements below are rank ordered from highest to lowest in terms of how important participants felt each was for the CRA to share with Canadians.

All Canadians, residents and non-residents are responsible for knowing their tax rights and obligations relating to the real estate sector. (Statement 2)

Strengths:

- Clear, easy to understand, and well-written;
- Viewed as an important message to reinforce to all Canadians;
- Believed to be widely applicable; and
- Participants liked the fact that the statement mentioned non-residents, as well as residents.

Weaknesses:

- Many believed that taxpayers were already aware of this;
- This statement seemed to convey that the responsibility for knowing one's tax rights and obligations falls primarily on individual taxpayers. Many, however, particularly those residing in Atlantic Canada, Quebec, and the Prairies, felt that the CRA also shared a responsibility for this. It was suggested that the CRA needed to take a more active role in informing Canadians regarding their tax obligations and providing adequate resources to inform, educate, and support taxpayers; and
- Some believed that it was not important for they themselves to know all the details about their tax rights and obligations, as they typically rely on professionals for guidance and advice related to this.

Starting in 2016, you are required to report basic information such as date of acquisition, date of sale, proceeds of disposition and a description of the property on your year-end tax return in order to qualify for the principal residence exemption (PRE). This requirement applies even if the entire gain is fully protected by the PRE, otherwise you could be subject to penalties for filing your principal residence designation late. (Statement 4)

Strengths:

- Participants thought this statement was informative. Many were unaware of this declaration requirement and felt that other Canadians would benefit from being informed as well; and
- Many believed the statement to be widely applicable, likely affecting all homeowners.

Weaknesses:

- A few indicated already having some awareness of this requirement and did not see it as new information for them. These participants were also more likely to report having taken on tax filing themselves and could recall clearly that the forms/software had indicated the need for them to declare their principal residence; and
- Some did not agree with the potential penalties associated with not declaring a principal residence. They felt that the enforcement of these penalties was being implemented too quickly by CRA, especially given how recent they perceived this change to be.

As a Canadian resident, you are required to report your worldwide income which includes any gains on the sale of real estate in another country. (Statement 3)

Strengths:

- This statement was easily understood by all;
- Many participants did not believe this information was widely known, even among those who own properties in other countries, and felt as though a large number of Canadians would benefit from learning more on the topic; and
- It was felt that communicating this information could have a significant impact in terms of both alerting property owners to this and assisting them to avoid any inadvertent financial penalties they might otherwise incur.

Weaknesses:

- This statement prompted additional questions from participants such as:
 - If it is required to report the income in both Canada and the country in which the property is located, then in which location is the person responsible for paying tax? Some participants did not agree that one should have to bear a tax burden in both locations; and
 - In what currency/exchange rate is one required to report in?

Rising housing prices have contributed to more tax non-compliant behaviour in the real estate sector, such as money laundering and mortgage fraud. These kinds of activities have resulted in an increased volume of real estate transactions as fraudsters seek to make 'easy money', less inventory and an overall increase in housing prices, making affordability a challenge for Canadians. (Statement 1)

Strengths:

- This concept was not one that many participants were previously aware of; and
- Some believed that it was important for Canadians to understand how others undertaking non-compliant behaviours might affect them.

Weaknesses:

- Several participants did not fully understand or see the connection between rising house prices and affordability; and
- Among those who understood the concept, many felt as though these kinds of activities were not a significant driver of issues related to housing affordability. It was suggested that

additional information could be added to the statement to help quantify how much these activities contribute to the issue of housing affordability.

III. Methodology

Methodology

A. Target Audience

The target audience for this research consisted of the following:

- Individual taxpayers who had, in the past four years:
 - Sold a home;
 - Severed a piece of land into two or more lots to build residential properties;
 - Acquired a second residential real estate property;
 - Constructed a new residential rental property on land they owned; and/or
 - Made substantial (90% redone) renovations to their principal residence or to any other residential complex they owned.
- Real estate professionals who have been:
 - Directly involved in the business (or planning) of developing, building, and trading of residential real property;
 - Engaged as a contractor in the developing, building, and/or trading of residential properties;
 - Involved in the renovation of residential properties with the intention of buying and reselling them quickly;
 - Involved in the role of (either directly, or indirectly via another company) operating a short-term rental (such as Airbnb) as an operator or employee;
 - Involved in leasing a residential property they own, or providing the right to rent the property on a short-term basis;
 - Involved in the management of rental properties;
 - Involved in residential property transactions as a broker or salesperson earning commission; and/or
 - Involved in filing tax returns on behalf of individuals or businesses who engage in designing, building, flipping, or managing rentals of residential properties.

All participants were recruited in adherence to the *Standards for the Conduct of Government of Canada Public Opinion Research – Qualitative Research*. This included ensuring that:

- In the past 5 years, no participant (or anyone in their immediate family or household) had worked for:
 - A market research firm;
 - A marketing, branding, or advertising agency;

- A magazine or newspaper;
 - A federal, provincial, or territorial government department or agency;
 - A political party;
 - In public or media relations; and/or
 - In radio or television.
- No participant was a retired employee of the Government of Canada.
 - No participant had participated in a focus group within the past 6 months or had participated in more than five focus group discussions in the past year.
 - No participant had previously participated in a qualitative research session related to the CRA or matters concerning the filing and preparing of taxes.
 - All participants had some level of comfort using online meeting platforms.

B. Research Approach

1. Focus Groups

A total of 12 focus groups comprised of individual taxpayers were conducted between February 21st and March 7th, 2023. These groups were segmented across five regions – Atlantic Canada, Quebec, Ontario, the Prairies, and British Columbia, with additional segmentation by city to ensure the representation of key real estate markets. Furthermore, groups were segmented by market value of the property. This segmentation was based off data from the Canadian Real Estate Association (CREA) on the average selling price of a home in the respective region. The details for each group such as language, region, and composition, are outlined in the table below.

Date	Time (pm/EST)	Language	Location	Composition	Number of Participants
February 21, 2023	8:00-9:30	English	Vancouver	Home market value \$1M+	7
February 22, 2023	6:00-7:30	English	City of Toronto	Home market value \$1.2M+	7
February 22, 2023	8:00-9:30	English	Greater Vancouver Area	Home market value under \$1M	8
February 23, 2023	6:00-7:30	English	Greater Toronto Area	Home market value under \$1.2M	6
February 27, 2023	8:00-9:30	English	British Columbia	Home market value \$500K+	8

February 28, 2023	6:00-7:30	English	Ontario	Home market value \$500K+	6
February 28, 2023	6:00-7:30	French	Montreal	Home market value \$500K+	8
March 1, 2023	5:00-6:30	English	Halifax	Home market value \$400K+	7
March 1, 2023	6:00-7:30	French	Quebec	Home market value under \$500K	6
March 2, 2023	5:00-6:30	English	Atlantic	Home market value under \$500K	7
March 6, 2023	8:00-9:30	English	Calgary and Edmonton	Home market value under \$500K	8
March 7, 2023	8:00-9:30	English	Prairies	Home market value \$500K+	7
-	-	-	-	Total Number of Participants	85

For each group, 8 participants were recruited with expectation that 6-8 participants would attend. On a best-efforts basis, each group aimed to include a mix of gender, household income, and ethnicity. A total of 96 participants were recruited and across the 12 groups and 85 participants attended the discussions. The group discussions were conducted online via Zoom and were approximately 90 minutes in length. For their participation, each individual received an incentive of \$125. All group discussions were conducted in English apart from those in Quebec which were conducted in French.

2. Interviews

In addition to the 12 focus groups, 20 in-depth interviews were conducted with real estate professionals from February 28th to March 20th, 2023. The interviews were also segmented across five regions – Atlantic Canada, Quebec, Ontario, the Prairies, and British Columbia, with additional segmentation by city to ensure representation from key real estate markets. The details for these interviews such as region and language are outlined in the table below.

Region	Language	Composition	Number of Interviews
Atlantic	English	Halifax	1
Atlantic	English	Region wide	1
Quebec	French	Montreal	2

Quebec	French	Province wide	1
Ontario	English	City of Toronto	2
Ontario	English	Greater Toronto Area	2
Ontario	English	Province wide	2
Prairies	English	Calgary	1
Prairies	English	Edmonton	1
Prairies	English	Manitoba/Saskatchewan	1
Pacific	English	City of Vancouver	2
Pacific	English	Greater Vancouver Area	2
Pacific	English	Province wide	2
-	-	Total Number of Interviews	20

Across the 20 interviews, efforts were made to include a diverse mix of occupation (with a minimum of one tax intermediary in Ontario, Quebec, and B.C.), types of real estate transactions involved in, years working in the sector, size of company, gender, and age. Only those working in the sector for more than a year were recruited. Each interview lasted approximately 45 minutes and was conducted online via Zoom. In appreciation of their time, each professional received an incentive of \$200. Interviews in Quebec were conducted in French while all other interviews were conducted in English.

Separate recruiting screeners and moderator/interview guides were developed for individual taxpayers and real estate professionals respectively. All research instruments in English and French can be found in the Appendix.

During the screening process and/or at the outset of each discussion, participants were informed that this research was being conducted on behalf of the Government of Canada and CRA and that their responses would be completely confidential. Furthermore, consent to audio and video record the session was obtained at both the time of recruitment and at the beginning of each group.

Participants were recruited in their official language of choice using either a RDD (random digit dialling) approach or a hybrid telephone and online approach. The hybrid approach employed online B2B panels to initially identify potential real estate professionals who were then screened via telephone to ensure they met all the research requirements. A RDD approach was used to recruit individual taxpayers and to fill in any gaps for interviews where online B2B panels were unable to identify prospective recruits by region or occupation.

To schedule and complete 12 focus groups and 20 in-depth interviews within approximately four weeks, four separate moderators were used. During fieldwork, moderators met weekly to share top level findings and trends as well as discuss any adjustments that needed to be made to the moderator and/or interview guides to better obtain key insights. After the initial focus groups, moderators convened to discuss participants' understanding of the following two key statements:

- 1) Non-compliance in the real estate sector negatively impacts the real estate market in Canada, including making housing affordability a challenge for Canadians.
- 2) Effective 2016, on the sale of a residential property you have to designate the property as your principal residence when you file your year-end tax return.

Moderators proposed clarifications for each statement to enhance participants comprehension and to improve the discussion. The two amendments shown below were provided in writing to CRA and approved for use in groups 5 through 12.

- 1) Rising housing prices have contributed to more tax non-compliant behaviour in the real estate sector, such as money laundering and mortgage fraud. These kinds of activities have resulted in an increased volume of real estate transactions as fraudsters seek to make 'easy money', less inventory, and an overall increase in housing prices, making affordability a challenge for Canadians.
- 2) Starting in 2016, you are required to report basic information such as date of acquisition, date of sale, proceeds of disposition and a description of the property on your year-end tax return in order to qualify for the principal residence exemption (PRE). This requirement applies even if the entire gain is fully protected by the PRE, otherwise you could be subject to penalties for filing your principal residence designation late.

Across the focus groups and interviews, a total of 105 individuals over the age of 18, participated in the research.

IV. Appendices

Appendices

A. Recruiting Scripts

1. Individual Taxpayers

Recruitment Specifications Summary

- Groups to be conducted online.
- Each group is expected to last for 90 minutes.
- Recruit 8 participants for 6-8 to show.
- Incentives will be \$125 per person and will be sent to participants via e-transfer following the group.

Specifications for the focus groups are as follows:

Group	Date	Time (EST)	Local Time	Location	Composition
1	Feb. 21	8:00-9:30pm (EST)	5:00-6:30pm (PST)	British Columbia City of Vancouver	Home market value \$1M+
2	Feb. 22	6:00-7:30pm (EST)	6:00-7:30pm (EST)	Ontario City of Toronto	Home market value \$1.2M+
3	Feb. 22	8:00-9:30pm (EST)	5:00-6:30pm (PST)	British Columbia GVA	Home market value <u>under</u> \$1M
4	Feb. 23	6:00-7:30 pm (EST)	6:00-7:30 pm (EST)	Ontario GTA	Home market value <u>under</u> \$1.2M
5	Feb. 27	8:00-9:30 pm (EST)	5:00-6:30 pm (PST)	British Columbia Mix of Urban/Suburban	Home market value \$500K+
6	Feb. 28	6:00-7:30 pm (EST)	6:00-7:30 pm (EST)	Ontario Mix of Urban/Suburban	Home market value \$500K+
7	Mar. 1	5:00-6:30 pm (EST)	6:00-7:30 pm (AST)	Atlantic Canada Halifax	Home market value \$400K+
8	Mar. 2	5:00-6:30 pm (EST)	6:00-7:30 pm (AST) 6:30-8:00 pm (NST)	Atlantic Canada Mix of Urban/Suburban	Home market value <u>under</u> \$500K
9	Mar. 6	8:00-9:30 pm (EST)	6:00-7:30 pm (MST)	Prairies Calgary/Edmonton	Home market value \$500K+
10	Mar. 7	8:00-9:30 pm (EST)	6:00-7:30 pm (MST) 7:00-8:30 pm (CST)	Prairies Mix of Urban/Suburban	Home market value <u>under</u> \$500K

Recruiting Script

INTRODUCTION

Hello, my name is [RECRUITER NAME]. I'm calling from The Strategic Counsel, a national public opinion research firm, on behalf of the Government of Canada. / Bonjour, je m'appelle [NOM DU RECRUTEUR]. Je vous téléphone du Strategic Counsel, une entreprise nationale de recherche sur l'opinion publique, pour le compte du gouvernement du Canada.

Would you prefer to continue in English or French? / Préférez-vous continuer en français ou en anglais? [CONTINUE IN LANGUAGE OF PREFERENCE]

RECORD LANGUAGE

English **CONTINUE**
French **THANK AND END**

On behalf of the Government of Canada, we're organizing a series of online video focus group discussions to explore current issues of interest to Canadians related to real-estate.

The format is a "round table" discussion, led by an experienced moderator. Participants will be given a cash honorarium in appreciation of their time.

Your participation is completely voluntary, and all your answers will be kept confidential. We are only interested in hearing your opinions - no attempt will be made to sell or market you anything. The report that is produced from the series of discussion groups we are holding will not contain comments that are attributed to specific individuals.

[ONLY IF ASKED, RECRUITER CAN CONFIRM]

SURVEY SPONSOR: This research is sponsored by Canada Revenue Agency. Note that your participation will remain completely confidential and it will not affect your dealings with the Government of Canada, including CRA, in any way.

VALIDATION: You may visit www.canada.ca/por-cra to verify the legitimacy of this survey.

But before we invite you to attend, we need to ask you a few questions to ensure that we get a good mix/variety of people in each of the groups. This will take approximately 5 minutes. May I ask you a few questions?

Yes **CONTINUE**
No **THANK AND END**

SCREENING QUESTIONS

1. Have you, or has anyone in your household, worked for any of the following types of organizations in the last 5 years?

A market research firm	THANK AND END
A marketing, branding, or advertising agency	THANK AND END
A magazine or newspaper	THANK AND END
A federal/provincial/territorial/municipal government department or agency	THANK AND END
A political party	THANK AND END
In public/media relations	THANK AND END
In radio/television	THANK AND END

No, none of the above

CONTINUE

1a. Are you a retired Government of Canada employee?

Yes **THANK AND END**
No **CONTINUE**

As the group discussion will be focused on real-estate, I have a few related questions to ask you.

2. Do you own or rent your current residence?

IF ASKED/CLARIFICATION REQUIRED: You are considered a homeowner even if you have outstanding debt that you owe on your mortgage loan.

Own **CONTINUE**
Rent **CONTINUE**
VOLUNTEERED Living at home **CONTINUE**
VOLUNTEERED Other **CONTINUE**
VOLUNTEERED Don't know/not sure **CONTINUE**

2a. Outside of your current residence, do you own any property that you rent out for residential or commercial use?

Yes **CONTINUE**
No **SKIP TO Q.3**
VOLUNTEERED Prefer not to answer **SKIP TO Q.3**

2b. **[IF YES AT Q2a, ASK]** How many properties do you own that you rent out for residential or commercial use?

RECORD NUMBER

GROUPS WILL SKEW TOWARDS HOMEOWNER, BUT WE CAN INCLUDE THOSE WHO MAY BE RENTER (DON'T OWN THEIR OWN HOME) BUT DO OWN PROPERTIES TO RENT.

3. For each of the following statements, please respond either "yes" or "no". In the last four years, have you...

- Sold a home?
- Severed a piece of land into two or more lots to build residential properties on?
- Acquired a second residential property?
- Constructed a new residential property on land owned to rent out?
- Have made substantial renovations (90% redone) to your principal residence or any other residential property that you own?

CONTINUE IF YES TO ANY OF THE ABOVE, OTHERWISE THANK AND END.

AIM FOR A MIX BY THE CRITERIA ABOVE.

4. In which city was the home(s) you **[INSERT BASED ON ANSWER AT Q.3: sold, acquired, constructed to rent out, or renovated substantially]** located in?

LOCATION	CITIES	
British Columbia	City of Vancouver	CONTINUE – GROUP 1, 3, OR 5

British Columbia	<p>GVA City of Vancouver, Burnaby, New Westminster, Coquitlam, Port Coquitlam, Port Moody, Surrey, Richmond, Delta, White Rock, North Vancouver, West Vancouver, Maple Ridge, Langley, Abbotsford, Chilliwack</p> <p>LIMIT TO 3 PARTICIPANTS FROM CITY OF VANCOUVER. ENSURE A GOOD MIX ACROSS THE REGION.</p>	CONTINUE – GROUP 3 OR 5
British Columbia	<p>Urban/suburban across B.C. Vancouver, Victoria, Kelowna, Abbotsford, Surrey, Richmond, White Rock, Nanaimo, Kamloops, Chilliwack, Prince George, Vernon</p> <p>LIMIT TO 2 PARTICIPANTS FROM CITY OF VANCOUVER. ENSURE A GOOD MIX ACROSS THE REGION.</p>	CONTINUE – GROUP 5
Ontario	<p>City of Toronto</p>	CONTINUE – GROUP 2, 4, OR 6
Ontario	<p>GTA City of Toronto, Durham (Ajax, Clarington, Brock, Oshawa, Pickering, Whitby), Halton (Burlington, Halton Hills, Oakville, Milton), Peel (Brampton, Caledon, Mississauga), York (Markham, Vaughan, Richmond Hill, Newmarket, Aurora), Dufferin County (Mono, Orangeville) and Simcoe County.</p> <p>LIMIT TO 3 PARTICIPANTS FROM CITY OF TORONTO. ENSURE A GOOD MIX ACROSS THE REGION.</p>	CONTINUE – GROUP 4 OR 6
Ontario	<p>Urban/suburban across Ontario Toronto, Ottawa (including suburbs Kanata, Orleans, etc.), Hamilton, Kitchener, London, Oshawa, Windsor, St. Catharines-Niagara Falls, Barrie, Guelph, Kingston, Milton, Brantford, Thunder Bay, Sudbury, Peterborough, Belleville, Sarnia, Sault Ste. Marie, North Bay</p> <p>LIMIT TO 2 PARTICIPANTS FROM TORONTO AND 2 PARTICIPANTS FROM OTTAWA. ENSURE A GOOD MIX ACROSS THE REGION.</p>	CONTINUE – GROUP 6
Atlantic	<p>Halifax</p>	CONTINUE – GROUP 7 OR 8
Atlantic	<p>Urban/suburban across the Atlantic region <u>NS</u>: Halifax, Dartmouth, Cape Breton-Sydney <u>NB</u>: Moncton, Saint John, Fredericton <u>PEI</u>: Charlottetown <u>N&L</u>: St. John’s</p> <p>LIMIT TO 2 PARTICIPANTS FROM HALIFAX. ENSURE A GOOD MIX ACROSS THE REGION.</p>	CONTINUE – GROUP 8
Prairies	<p>Calgary Edmonton</p>	CONTINUE – GROUP 9 OR 10
Prairies	<p>Urban/suburban across the Prairies Cities include (but are not limited to):</p>	CONTINUE – GROUP 10

	<p><u>Saskatchewan</u>: Saskatoon, Regina <u>Manitoba</u>: Winnipeg, Brandon <u>Alberta</u>: Calgary, Edmonton, Red Deer, Lethbridge, Airdrie, Fort McMurray, Medicine Hat, Grande Prairie</p> <p>LIMIT TO 2 PARTICIPANTS FROM CALGARY AND 2 FROM EDMONTON. ENSURE A GOOD MIX ACROSS THE REGION.</p>	
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5. Do you currently reside in [INSERT CITY BASED ON ANSWER AT Q.4] or in another city?
RECORD CITY AND CONTINUE. AIM FOR A MIX OF THOSE WHO RESIDE IN THE SAME CITY AND THOSE WHO RESIDE IN A DIFFERENT CITY.

6. What is your best estimate of the market value of the home(s) you [INSERT BASED ON ANSWER AT Q.3: sold, acquired, constructed to rent out, or renovated substantially]?

6a.

IF GROUP 1-4 (GVA, GTA)

Under \$250,000	<p>+ VANCOUVER = GROUP 3 + TORONTO = GROUP 4 + GVA = GROUP 3 + GTA = GROUP 4</p>
\$250,000 - < \$500,000	<p>+ VANCOUVER = GROUP 3 + TORONTO = GROUP 4 + GVA = GROUP 3 + GTA = GROUP 4</p>
\$500,000 - < \$750,000	<p>+ VANCOUVER = GROUP 3 + TORONTO = GROUP 4 + GVA = GROUP 3 + GTA = GROUP 4</p>
\$750,000 - < \$1,000,000	<p>+ VANCOUVER = GROUP 3 + TORONTO = GROUP 4 + GVA = GROUP 3 + GTA = GROUP 4</p>
\$1,000,000 - < \$1,200,000	<p>+ VANCOUVER = GROUP 1 <u>OR</u> SKIP TO Q.6B FOR CONSIDERATION FOR GROUP 5 + TORONTO = GROUP 4 <u>OR</u> SKIP TO Q.6B FOR CONSIDERATION FOR GROUP 6 + GVA = SKIP TO Q.6B FOR CONSIDERATION FOR GROUP 5 + GTA = SKIP TO Q.6B FOR CONSIDERATION FOR GROUP 6</p>
\$1,200,000 - < \$1,500,000	<p>+ VANCOUVER = GROUP 1 <u>OR</u> SKIP TO Q.6B FOR CONSIDERATION FOR GROUP 5 + TORONTO = GROUP 2 <u>OR</u> SKIP TO Q.6B FOR CONSIDERATION FOR GROUP 6 + GVA = SKIP TO Q.6B FOR CONSIDERATION FOR GROUP 5 + GTA = SKIP TO Q.6B FOR CONSIDERATION FOR GROUP 6</p>
\$1,500,000 - < \$2,000,000	<p>+ VANCOUVER = GROUP 1 <u>OR</u> SKIP TO Q.6B FOR CONSIDERATION FOR GROUP 5 + TORONTO = GROUP 2 <u>OR</u> SKIP TO Q.6B FOR CONSIDERATION FOR GROUP 6</p>

	+ GVA = SKIP TO Q.6B FOR CONSIDERATION FOR GROUP 5 + GTA = SKIP TO Q.6B FOR CONSIDERATION FOR GROUP 6
\$2,000,000 or more	+ VANCOUVER = GROUP 1 OR SKIP TO Q.6B FOR CONSIDERATION FOR GROUP 5 + TORONTO = GROUP 2 OR SKIP TO Q.6B FOR CONSIDERATION FOR GROUP 6 + GVA = SKIP TO Q.6B FOR CONSIDERATION FOR GROUP 5 + GTA = SKIP TO Q.6B FOR CONSIDERATION FOR GROUP 6
[DO NOT READ] Prefer not to answer	THANK AND END

6b.

IF GROUP 5-6 (URBAN/SUBURBAN BC/ONTARIO)

Under \$250,000	THANK AND END
\$250,000 - < \$500,000	THANK AND END
\$500,000 - < \$750,000	+ URBAN/SUBURBAN BC = GROUP 5 + URBAN/SUBURBAN ON = GROUP 6
\$750,000 - < \$1,000,000	+ URBAN/SUBURBAN BC = GROUP 5 + URBAN/SUBURBAN ON = GROUP 6
\$1,000,000 - < \$1,500,000	+ URBAN/SUBURBAN BC = GROUP 5 + URBAN/SUBURBAN ON = GROUP 6
\$1,500,000 - < \$2,000,000	+ URBAN/SUBURBAN BC = GROUP 5 + URBAN/SUBURBAN ON = GROUP 6
\$2,000,000 or more	+ URBAN/SUBURBAN BC = GROUP 5 + URBAN/SUBURBAN ON = GROUP 6
[DO NOT READ] Prefer not to answer	THANK AND END

6c.

IF GROUP 7-8 (ATLANTIC)

Under \$250,000	+ HALIFAX = GROUP 8 + OTHER URBAN/SUBURBAN ATLANTIC = GROUP 8
\$250,000 - < \$400,000	+ HALIFAX = GROUP 8 + OTHER URBAN/SUBURBAN ATLANTIC = GROUP 8
\$400,000- < \$500,000	+ HALIFAX = GROUP 7 OR 8 + OTHER URBAN/SUBURBAN ATLANTIC = GROUP 8
\$500,000 - < \$750,000	+ HALIFAX = GROUP 7 + OTHER URBAN/SUBURBAN ATLANTIC = THANK AND END
\$750,000 - < \$1,000,000	+ HALIFAX = GROUP 7 + OTHER URBAN/SUBURBAN ATLANTIC = THANK AND END
\$1,000,000 - < \$1,500,000	+ HALIFAX = GROUP 7 + OTHER URBAN/SUBURBAN ATLANTIC = THANK AND END
\$1,500,000 - < \$2,000,000	+ HALIFAX = GROUP 7 + OTHER URBAN/SUBURBAN ATLANTIC = THANK AND END
\$2,000,000 or more	+ HALIFAX = GROUP 7 + OTHER URBAN/SUBURBAN ATLANTIC = THANK AND END

[DO NOT READ] Prefer not to answer	THANK AND END
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6d.

IF GROUP 9-10 (PRAIRIES)

Under \$250,000	+ CALGARY = GROUP 10 + EDMONTON = GROUP 10 + OTHER URBAN/SUBURBAN PRAIRIES = GROUP 10
\$250,000 - < \$500,000	+ CALGARY = GROUP 10 + EDMONTON = GROUP 10 + OTHER URBAN/SUBURBAN PRAIRIES = GROUP 10
\$500,000 - < \$750,000	+ CALGARY = GROUP 9 + EDMONTON = GROUP 9 + OTHER URBAN/SUBURBAN PRAIRIES = THANK AND END
\$750,000 - < \$1,000,000	+ CALGARY = GROUP 9 + EDMONTON = GROUP 9 + OTHER URBAN/SUBURBAN PRAIRIES = THANK AND END
\$1,000,000 - < \$1,500,000	+ CALGARY = GROUP 9 + EDMONTON = GROUP 9 + OTHER URBAN/SUBURBAN PRAIRIES = THANK AND END
\$1,500,000 - < \$2,000,000	+ CALGARY = GROUP 9 + EDMONTON = GROUP 9 + OTHER URBAN/SUBURBAN PRAIRIES = THANK AND END
\$2,000,000 or more	+ CALGARY = GROUP 9 + EDMONTON = GROUP 9 + OTHER URBAN/SUBURBAN PRAIRIES = THANK AND END
[DO NOT READ] Prefer not to answer	THANK AND END

7. What is your gender?

Female

Male

Non-binary

[DO NOT READ] Prefer to self-identify (Please specify): _____

[DO NOT READ] Prefer not to answer

ENSURE A GOOD MIX BY GENDER IN EACH GROUP.

8. Would you be willing to tell me in which of the following age categories you belong?

Under 18 years of age	IF POSSIBLE, ASK FOR SOMEONE OVER 18 AND REINTRODUCE. OTHERWISE THANK AND END.
18-24	ENSURE A GOOD MIX BY AGE IN EACH GROUP.
25-34	ENSURE A GOOD MIX BY AGE IN EACH GROUP.
35-44	ENSURE A GOOD MIX BY AGE IN EACH GROUP.
45-54	ENSURE A GOOD MIX BY AGE IN EACH GROUP.
55-64	ENSURE A GOOD MIX BY AGE IN EACH GROUP.
65+	ENSURE A GOOD MIX BY AGE IN EACH GROUP.
VOLUNTEERED Prefer not to answer	THANK AND END

9. Which of the following categories best describes your total household income in 2022? That is, the total income of all persons in your household combined, before taxes.

Under \$20,000
\$20,000 to just under \$40,000
\$40,000 to just under \$60,000
\$60,000 to just under \$80,000
\$80,000 to just under \$100,000
\$100,000 to just under \$150,000
\$150,000 and above

VOLUNTEERED Prefer not to answer **THANK AND END**

ENSURE A GOOD MIX IN ALL GROUPS. LIKELY TO SKEW HIGHER/LOWER BASED ON Q.6 MARKET VALUE OF HOME.

10. Which of the following racial or cultural groups best describes you? (multi-select)

White/Caucasian
South Asian (e.g., East Indian, Pakistani, Sri Lankan)
Chinese
Black
Latin American
Filipino
Arab
Southeast Asian (e.g., Vietnamese, Cambodian, Thai)
Korean or Japanese
Indigenous
Other (specify)

VOLUNTEERED Prefer not to answer **THANK AND END**

ENSURE A GOOD MIX IN ALL GROUPS.

11. Are you familiar with the concept of a focus group?

Yes **CONTINUE**

No **EXPLAIN THE FOLLOWING** *“a focus group consists of six to eight participants and one moderator. During a 90-minute session, participants are asked to discuss a wide range of issues related to the topic being examined.”*

12. As part of the focus group, you will be asked to actively participate in a conversation. Thinking of how you engage in group discussions, how would you rate yourself on a scale of 1 to 5 where 1 means ‘you tend to sit back and listen to others’ and 5 means ‘you are usually one of the first people to speak’?

1-2 **THANK AND END**

3-5 **CONTINUE**

13. As this group is being conducted online, in order to participate you will need to have high-speed Internet and a computer with a working webcam, microphone and speaker. **RECRUITER TO CONFIRM THE FOLLOWING. TERMINATE IF NO TO EITHER.**

Participant has high-speed access to the Internet
Participant has a computer/webcam

14. Have you used online meeting software, such as Zoom, Webex, Microsoft Teams, Google Hangouts/Meet, etc., in the last two years?

Yes **CONTINUE**
No **CONTINUE**

15. How skilled would you say you are at using online meeting platforms on your own, using a scale of 1 to 5, where 1 means you are not at all skilled, and 5 means you are very skilled?

1-2 **THANK AND END**
3-5 **CONTINUE**

16. During the discussion, you could be asked to read or view materials on screen and/or participate in poll-type exercises online. You will also be asked to actively participate online using a webcam. Can you think of any reason why you may have difficulty reading the materials or participating by video?

PROVIDE PARTICIPANT WITH OPPORTUNITY TO ENGAGE VIA ALTERNATE FORMAT IF RESPONDENT OFFERS ANY REASON SUCH AS SIGHT OR HEARING PROBLEM, A WRITTEN OR VERBAL LANGUAGE PROBLEM, A CONCERN WITH NOT BEING ABLE TO COMMUNICATE EFFECTIVELY, OR ANY CONCERNS WITH USING A WEBCAM.

17. Have you ever attended a focus group discussion, an interview or survey which was arranged in advance and for which you received a sum of money?

Yes **CONTINUE**
No **SKIP TO Q.21**

18. How long ago was the last focus group you attended?

Less than 6 months ago **THANK AND END**
More than 6 months ago **CONTINUE**

19. How many focus group discussions have you attended in the past 5 years?

0-4 groups **CONTINUE**
5 or more groups **THANK AND END**

20. On what topics were they and do you recall who or what organization the groups were being undertaken for?
TERMINATE IF ANY ON SIMILAR/SAME TOPIC OR GOVERNMENT OF CANADA IDENTIFIED AS ORGANIZATION

21. The focus group discussion will be audio-taped and video-taped for research purposes only. The taping is conducted to assist our researchers in writing their report. Do you consent to being audio-taped and video-taped?

Yes
No **THANK AND END**

INVITATION

I would like to invite you to this online focus group discussion, which will take place the evening of **[INSERT DATE/TIME BASED ON GROUP # IN CHART ON PAGE 1]**. The group will be 90 minutes in length and you will receive \$125 for your participation following the group via an e-transfer.

Would you be willing to attend?

Yes **CONTINUE**
No **THANK AND END**

May I please have your full name, a telephone number that is best to reach you at as well as your e-mail address if you have one so that I can send you the details for the group?

Name:
Telephone Number:
E-mail Address:

You will receive an e-mail from **The Strategic Counsel** with the instructions to login to the online group. Should you have any issues logging into the system specifically, you can contact our technical support team at support@thestrategiccounsel.com.

We ask that you are online at least 15 minutes prior to the beginning of the session in order to ensure you are set up and to allow our support team to assist you in case you run into any technical issues. We also ask that you restart your computer prior to joining the group.

You may be required to view some material during the course of the discussion. If you require glasses to do so, please be sure to have them handy at the time of the group. Also, you will need a pen and paper in order to take some notes throughout the group.

This is a firm commitment. If you anticipate anything preventing you from attending (either home or work-related), please let me know now. If for any reason you are unable to attend, please let us know as soon as possible at **[1-800-xxx-xxxx]**.

Thank you very much for your time.

RECRUITED BY: _____
DATE RECRUITED: _____

2. Professionals Working in the Real Estate Sector

Recruitment Specifications Summary

- Interviews to be conducted online.
- Each interview is expected to last for 45 minutes.
- Incentives will be \$200 per person and will be sent to participants via e-transfer following the group.

Specifications for the interviews are as follows:

Interview Number	Date/Time (in EST)	Region	Location
1	Feb. 21 - Mar. 7 45 MINUTES	Atlantic	Halifax
2	Feb. 21 - Mar. 7 45 MINUTES	Atlantic	Urban/suburban Atlantic
3	Feb. 21 - Mar. 7 45 MINUTES	Ontario	City of Toronto
4	Feb. 21 - Mar. 7 45 MINUTES	Ontario	City of Toronto
5	Feb. 21 - Mar. 7 45 MINUTES	Ontario	GTA
6	Feb. 21 - Mar. 7 45 MINUTES	Ontario	GTA
7	Feb. 21 - Mar. 7 45 MINUTES	Ontario	Urban/suburban Ontario
8	Feb. 21 - Mar. 7 45 MINUTES	Ontario	Urban/suburban Ontario
9	Feb. 21 - Mar. 7 45 MINUTES	Prairies	Calgary
10	Feb. 21 - Mar. 7 45 MINUTES	Prairies	Edmonton
11	Feb. 21 - Mar. 7 45 MINUTES	Prairies	Urban/Suburban Man. or Sask.
12	Feb. 21 - Mar. 7 45 MINUTES	British Columbia	City of Vancouver
13	Feb. 21 - Mar. 7 45 MINUTES	British Columbia	City of Vancouver
14	Feb. 21 - Mar. 7 45 MINUTES	British Columbia	GVA
15	Feb. 21 - Mar. 7 45 MINUTES	British Columbia	GVA
16	Feb. 21 - Mar. 7 45 MINUTES	British Columbia	Urban/suburban B.C.
17	Feb. 21 - Mar. 7 45 MINUTES	British Columbia	Urban/suburban B.C.

Recruiting Script

INTRODUCTION

Hello, my name is [RECRUITER NAME]. I'm calling from The Strategic Counsel, a national public opinion research firm, on behalf of the Government of Canada. / Bonjour, je m'appelle [NOM DU RECRUTEUR]. Je vous téléphone du Strategic Counsel, une entreprise nationale de recherche sur l'opinion publique, pour le compte du gouvernement du Canada.

Would you prefer to continue in English or French? / Préférez-vous continuer en français ou en anglais? [CONTINUE IN LANGUAGE OF PREFERENCE]

RECORD LANGUAGE

English **CONTINUE**
French **THANK AND END**

We are looking to speak to someone who works in or with the real-estate sector, would that be you?

Yes **CONTINUE**
No **OBTAIN CONTACT INFORMATION, REQUEST TO TRANSFER OR CALL BACK AND CONTINUE**

On behalf of the Government of Canada, we're organizing a series of one-on-one interviews with professionals to explore various issues of importance related to the real estate sector.

The format is a 45-minute online discussion, led by an experienced interviewer. Participants will be given a cash honorarium in appreciation of their time.

Your participation is completely voluntary, and all your answers will be kept confidential. We are only interested in hearing your opinions - no attempt will be made to sell or market you anything. The report that is produced from the series of interviews we are holding will not contain comments that are attributed to specific individuals.

[ONLY IF ASKED, RECRUITER CAN CONFIRM]

SURVEY SPONSOR: This research is sponsored by Canada Revenue Agency. Note that your participation will remain completely confidential and it will not affect your dealings with the Government of Canada, including CRA, in any way.

VALIDATION: You may visit www.canada.ca/por-cra to verify the legitimacy of this survey.

But before we invite you to attend, we need to ask you a few questions to ensure that we get a good mix/variety of people in each of the groups. This will take approximately 5 minutes. May I ask you a few questions?

Yes **CONTINUE**
No **THANK AND END**

SCREENING QUESTIONS

1. Have you, or has anyone in your household, worked for any of the following types of organizations in the last 5 years?

A market research firm	THANK AND END
A marketing, branding, or advertising agency	THANK AND END
A magazine or newspaper	THANK AND END
A federal/provincial/territorial government department or agency	THANK AND END
A political party	THANK AND END
In public/media relations	THANK AND END

In radio/television
No, none of the above

**THANK AND END
CONTINUE**

1a. Are you a retired Government of Canada employee?

Yes **THANK AND END**
No **CONTINUE**

2. In which city do you currently reside?

REGION	CITIES	INTERVIEW #
Atlantic	Halifax	1
Atlantic	Urban/suburban across the Atlantic region <u>NS</u> : Halifax, Dartmouth, Cape Breton-Sydney <u>NB</u> : Moncton, Saint John, Fredericton <u>PEI</u> : Charlottetown <u>N&L</u> : St. John's	2
Ontario	City of Toronto	3,4
Ontario	GTA Durham (Ajax, Clarington, Brock, Oshawa, Pickering, Whitby), Halton (Burlington, Halton Hills, Oakville, Milton), Peel (Brampton, Caledon, Mississauga), York (Markham, Vaughan, Richmond Hill, Newmarket, Aurora), Dufferin County (Mono, Orangeville) and Simcoe County	5,6
Ontario	Urban/suburban across Ontario Ottawa (including suburbs Kanata, Orleans, etc.), Hamilton, Kitchener, London, Oshawa, Windsor, St. Catherines-Niagara Falls, Barrie, Guelph, Kingston, Milton, Brantford, Thunder Bay, Sudbury, Peterborough, Belleville, Sarnia, Sault Ste. Marie, North Bay	7,8
Prairies	Calgary	9
Prairies	Edmonton	10
Prairies	Urban/suburban across the Prairies <u>Saskatchewan</u> : Saskatoon, Regina <u>Manitoba</u> : Winnipeg	11
British Columbia	City of Vancouver	12,13
British Columbia	GVA Burnaby, New Westminster, Coquitlam, Port Coquitlam, Port Moody, Surrey, Richmond, Delta, White Rock, North Vancouver, West Vancouver, Maple Ridge, Langley, Abbotsford, Chilliwack	14,15
British Columbia	Urban/suburban across B.C.	16,17

	Victoria, Kelowna, Abbotsford, Surrey, Richmond, White Rock, Nanaimo, Kamloops, Chilliwack, Prince George, Vernon	
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4. Which of the following best describes your occupation...

- An owner/operator of a residential development company
- An employee of a residential development company (specify role)
- An owner/operator (directly or via a management company) of a company that provides short-term rentals (such as Airbnb)
- An employee of a company that provides short-term rentals (such as Airbnb)
- A contractor working in residential development (an architect, tradesperson, etc.)
- A property manager of residential rental properties
- An employee of a company that deals with the management of residential rental properties
- A mortgage broker or agent
- A real-estate broker or agent
- A tax intermediary who has clients in the real estate sector
- None of the above **THANK AND END**

AIM FOR A MIX BY OCCUPATION ABOVE. ENSURE AT MINIMUM 1 TAX INTERMEDIARY INTERVIEW IN EACH OF THE ONTARIO, QUEBEC AND PACIFIC REGIONS.

3. For each of the following statements, please respond either “yes” or “no”. Have you been ...

- Directly involved in the business (or planning) of developing, building and/or trading of residential properties
- Engaged as a contractor (trade, architect, etc.) in the of developing, building and/or trading of residential properties
- Involved in the renovating of residential properties with the intention of buying and then reselling quickly
- Involved in the role of (either directly, or indirectly via another company) operating a short-term rental (such as Airbnb) as an operator or employee
- Involved in leasing a residential property that you own, giving the right to the lease to rent the property on a short-term basis
- Involved in the property management of rental properties
- Involved in residential property transactions as a broker or salesperson earning commission
- Involved in filing tax returns on behalf of individuals or businesses who undertake designing, building, flipping, or property management rentals of residential properties
- None of the above

CONTINUE IF YES TO ANY OF THE ABOVE, OTHERWISE THANK AND END.

AIM FOR A MIX BY CRITERIA ABOVE.

4. How many years have you been working in [the real estate, an area that supports the real estate sector/a field that impacts the real estate sector]?

- Less than a year **THANK AND END**
- 1-5 years
- 6-10 years
- More than 10 years

AIM FOR A MIX ACROSS INTERVIEWS.

5. Approximately how many employees does your company employ, both full-time and part-time?

1 **CONTINUE**

- 2 – 4 **CONTINUE**
- 5 – 19 **CONTINUE**
- 20 – 49 **CONTINUE**
- 50 – 99 **CONTINUE**
- 100 or more **THANK AND END**
- Don't know **THANK AND END**

AIM FOR A MIX ACROSS INTERVIEWS.

6. What is your gender?

- Female
- Male
- Non-binary

[DO NOT READ] Prefer to self-identify (Please specify): _____

[DO NOT READ] Prefer not to answer

ENSURE A GOOD MIX BY GENDER ACROSS INTERVIEWS.

7. Would you be willing to tell me in which of the following age categories you belong?

- Under 18 years of age **THANK AND END**
- 18-24
- 25-34
- 35-44
- 45-54
- 55-64
- 65 or older

[DO NOT READ] Prefer not to answer

ENSURE A GOOD MIX ACROSS INTERVIEWS. AGE WILL SKEW TO THOSE OF WORKING AGE.

8. As this interview is being conducted online, can you confirm that you have high-speed Internet and a computer with a working webcam, microphone and speaker? **RECRUITER TO CONFIRM THE FOLLOWING, OTHERWISE SEE BELOW TO OFFER ALTERNATIVE FORMAT.**

9. How skilled would you say you are at using online meeting platforms on your own, using a scale of 1 to 5, where 1 means you are not at all skilled, and 5 means you are very skilled?

- 1-2 **SEE BELOW AND OFFER AN ALTERNATIVE FORMAT**
- 3-5 **CONTINUE**

10. During the discussion, you could be asked to read or view materials on screen. You will also be asked to actively participate online using a webcam. Can you think of any reason why you may have difficulty reading the materials or participating by video?

- Yes **SEE BELOW AND OFFER AN ALTERNATIVE FORMAT**
- No **CONTINUE**

ALTERNATIVE FORMAT Q8-10:

PROVIDE PARTICIPANT WITH OPPORTUNITY TO ENGAGE VIA ALTERNATE FORMAT (TELEPHONE INTERVIEW, FOR EXAMPLE) IF RESPONDENT: DOES NOT HAVE HIGH SPEED INTERNET/WEBCAM, IS LESS SKILLED IN USING ONLINE PLATFORMS, OFFERS ANY REASON SUCH AS SIGHT OR HEARING PROBLEM, A WRITTEN OR VERBAL LANGUAGE PROBLEM, A CONCERN WITH NOT BEING ABLE TO COMMUNICATE EFFECTIVELY, OR ANY CONCERNS WITH USING A WEBCAM.

11. Have you ever attended an interview or focus group discussion which was arranged in advance and for which you received a sum of money?

Yes **CONTINUE**
No **SKIP TO Q.15**

12. How long ago was the last interview or focus group you attended?

Less than 6 months ago **THANK AND END**
More than 6 months ago **CONTINUE**

13. How many interviews or focus group discussions have you attended in the past 5 years?

0-4 **CONTINUE**
5 or more **THANK AND END**

14. On what topics were they and do you recall who or what organization they were being undertaken for?
TERMINATE IF MENTION OF CANADA REVENUE AGENCY OR GOVERNMENT OF CANADA IDENTIFIED AS ORGANIZATION OR TAX-RELATED TOPICS MENTIONED AS SUBJECT/TOPIC OF DISCUSSION.

15. The interview will be audio-taped and video-taped for research purposes only. The taping is conducted to assist our researchers in writing their report. Do you consent to being audio-taped and video-taped?

Yes
No **THANK AND END**

INVITATION

I would like to invite you to an interview, which will take place the evening of **[INSERT DATE/TIME BASED ON GROUP # IN CHART ON PAGE 1]**. The discussion will be 45 minutes in length and you will receive \$200 for your participation following the group via an e-transfer.

Would you be willing to attend?

Yes **CONTINUE**
No **THANK AND END**

May I please have your full name, a telephone number that is best to reach you at as well as your e-mail address if you have one so that I can send you the details for the group?

Name:

Telephone Number:

E-mail Address:

You will receive an e-mail from **The Strategic Counsel** with the instructions to login to the online group. Should you have any issues logging into the system specifically, you can contact our technical support team at support@thestrategiccounsel.com.

We ask that you are online at least 15 minutes prior to the beginning of the session in order to ensure you are set up and to allow our support team to assist you in case you run into any technical issues. We also ask that you restart your computer prior to joining the group.

You may be required to view some material during the course of the discussion. If you require glasses to do so, please be sure to have them handy at the time of the group. Also, you will need a pen and paper in order to take some notes throughout the group.

This is a firm commitment. If you anticipate anything preventing you from attending (either home or work-related), please let me know now.. If for any reason you are unable to attend, please let us know as soon as possible at [1-800-xxx-xxxx].

Thank you very much for your time.

RECRUITED BY: _____

DATE RECRUITED: _____

B. Moderator Guide – Individual Taxpayers

INTRODUCTION (10 MINUTES)

- Welcome participants– moderator to introduce themselves, that they work for a professional market research firm called The Strategic Counsel
- Explain topic: discussion of the Canadian tax system, specifically as it applies to real estate transactions, experiences with tax filing and interacting with CRA
- Guidance for discussion:
 - 90 minutes in length – need participants’ undivided attention for the duration
 - Recording of discussion
 - Confidentiality of results and participant contact information – report being produced is a summary of findings across all groups/no attribution of comments to individual participants
 - Voluntary nature of participation
- Explain role of participants:
 - Offer views, based on your opinions, experience, understanding of the issues
 - Be as open and frank as you feel comfortable
 - No right or wrong answers
 - Feel free to agree or disagree with others – your views may be different from others – but respect others’ opinions
- Explain role of moderator:
 - Cover a series of topics/questions
 - Monitor time
 - Ensure engagement of all participants
 - Moderator has no specific expertise in real estate/tax policy and does not work for CRA or the Government of Canada
- Participant introductions:
 - Name, where you live and if you are employed, what you do for work

TAX FILING FOR REAL ESTATE TRANSACTIONS (15 MINUTES)

- To begin the discussion, I'd like to ask you what types of real-estate transactions you have made in the last 4 years. Probe for: How many of you have... **[RAISE HANDS]**
 - Sold a home
 - Severed a piece of land into two or more lots to build residential properties on
 - Acquired a second residential property
 - Have you rented out this property?
 - Constructed a new residential property on land owned to rent out
 - Have made substantial renovations (90% redone) to your principal residence or any other residential property that you own
 - Have purchased a newly substantially (90% redone) renovated home
- **GROUPS 2-12** Are you aware of any tax implications related to these types of real estate transactions?
 - IF YES: Which ones? What do you think the tax implications are? Are these something you know if you must report on your annual tax return?
- In general, how easy or difficult do you feel it is to complete tax returns for these types of real-estate transactions? Explain.
 - **IF DIFFICULT:** What makes it particularly difficult or complicated?
 - What types of difficulties have you experienced/encountered when completing your return(s)? Can you provide any specific examples?
 - What could the CRA do/provide to make it easier for you? Can you provide specific examples? Probe for: types of information, methods of receiving this information
- In general, do you seek out any advice or assistance when filing your taxes or do you feel comfortable or knowledgeable enough completing and filing returns yourself?
 - What about specific to real-estate transactions?
 - **IF YES:**
 - From whom did you seek advice? Probe for: accountants, bookkeepers, other financial/tax expert (specify), real estate agents, lawyers, **GROUPS 2-12** notaries
 - **GROUPS 2-12** What advice or information did you seek/did each of these individuals provide you?
 - **IF REAL ESTATE AGENT:** What specific advice or assistance do you rely on your real estate agent for in terms of tax filing?
 - Did you seek out any advice from your real estate agent prior to carrying out the transaction?
 - Do you feel that real estate agents are as knowledgeable as a tax intermediary (e.g., an accountant) when it comes to real estate tax filings?
 - **IF NO:**
 - Do you feel you as an individual have/had sufficient knowledge to file your tax returns correctly? **IF YES:** Do you have any tax or accounting specific background (through education, employment, etc.)?
 - And, when filing returns yourself, where do you look for information to assist you? Do you have any specific sources that you refer to? Probe for: online search (Google), CRA website, other tax company websites

NON-COMPLIANT BEHAVIOUR RELATED TO REAL ESTATE TRANSACTIONS (30 MINUTES)

SHOW ON SCREEN: The real estate landscape has become more complex over recent years and CRA wants to ensure that taxpayers involved in real estate transactions are informed about their tax rights and obligations. By filing their tax returns correctly, taxpayers would be better positioned to not miss out on eligible deductions, tax credits or rebates nor would they pay unnecessary penalties or interest charges. However, recent trends in the market could

lead to situations in which real estate transactions may be underreported or unreported by taxpayers. The CRA refers to these as *non-compliant*.

- What types of activities (related to real-estate transactions), do you think would fall into non-compliance? What do you think is occurring or have you heard of happening? Can you provide me some examples? Probe for: not filing (reporting), filing inaccurately (in what ways?), other things?
 - How often do you think this happens (very frequently, somewhat frequently, not frequently)?
 - Do you believe this is intentional or unintentional?
 - IF INTENTIONAL:** What do you think are the motivators for those who are doing so intentionally?
 - Do you think this practice is more common among certain groups of people?
 - Do you feel as though there are any 'grey areas' when it comes to filing taxes related to real-estate transactions that aren't perhaps clear?
- **GROUPS 5-12** Do you think that most Canadians are aware of their tax obligations with respect to real estate transactions? Probe for:
 - Should Canadians be better informed, or is it sufficient for them to rely on Google, real estate agents, lawyers, notaries, brokers and accountants for this information?
 - Do you feel that some might be susceptible to scams or fraudulent activities unknowingly? Who is perpetrating these scams? What types of scams or fraudulent activity is most common in the real estate sector? Has the COVID-19 pandemic increased the amount of fraudulent activity and non-compliance in the real estate sector? If so, how/why?
- **GROUPS 5-12** Do you think that fraudulent and non-compliant activity in the real estate sector is making housing affordability a challenge for Canadians? Why/why not? Probe for:
 - What about foreclosure fraud? Is this something you are hearing about? Clarify as necessary: Foreclosure fraud usually happens when the homeowner is having trouble making their mortgage payments. They may be tricked into transferring their property title to somebody to get a loan to help make payments. Fraudsters keep the payments and also possess title, which they can resell or remortgage.
 - What about title fraud? Is this something you are hearing about? Clarify as necessary: This involves identity theft whereby fraudsters make fake identification, after gathering personal data on the victim, forging documents such as titles to properties. If notaries don't ask for the originals, scammers claiming to be the owners can remortgage the property. If the property is mortgage-free, they can walk away with up to 80% of its value. Some fraudsters assume total title, impersonate the homeowner and sell the houses to unsuspecting buyers, then disappear with the profits. Virtual real estate transactions have made this more commonplace, especially with vacant investment properties where the homeowner is away for an extended period.
 - What about mortgage fraud? Is this something you are hearing about? Clarify as necessary: This type of fraud usually occurs between the bank and the notary, by way of the broker. Just like some buyers are tempted to lie on their mortgage applications, brokers sometimes forge documents to get loans approved. For example, an income of \$57K might be reported as \$75K, or credit scores might be altered by employees. These kinds of activities mean that some applications are approved with false information when they should not have been.
 - Do you think these types of fraud affect the broader housing market? If so, how?
- **SHOW ON SCREEN:** CRA uses a combination of activities to detect and address tax non-compliance by taxpayers in all sectors, including real estate. Through this, CRA has identified some key areas of concern regarding non-compliance in the real estate sector. These include activities such as errors in tax reporting related to:
 - Business income versus capital gains on the sale of a property
 - Profits from the 'flipping' of real-estate properties

- Shadow flipping/assignment sales (which involves selling a property before it's built or put on the open market)
- Collection of GST/HST on the sale of a new or substantially renovated home
- Claiming GST/HST rebates when buying/building a new home
- Now that we have seen some of the things that are occurring, I am going to show you a list of factors or drivers that could influence individuals to participate in such activities. **SHOW ON SCREEN:**
 - Price increases in the market value of homes
 - Record profits in the sale of properties
 - An overall increase in the number of real estate transactions occurring
 - Affordability/inflation
 - Lack of awareness or knowledge about their tax obligations related to these transactions
- I would like you to select the ones that you feel are the main factors or drivers influencing people to participate in these activities. You can select up to 3, but no more than 3. You can also select 'other' if you think something else is a factor. **RUN POLL WITH ABOVE LIST OF ITEMS. ADD OTHER CATEGORY. MODERATOR TO REVIEW PARTICIPANT TOP SELECTIONS.** Why did you make this selection? Explain.
- Do you keep yourself updated on the current real estate market trends/information? If so, how?
- Are there specific trends or forces in the real estate market that you feel may have impacted peoples ability to correctly file real-estate transactions in the last 5 years? Probe for:
 - Fluctuations in the real estate market – activity/prices peaking in the COVID-19 pandemic
 - In what ways do you think the COVID-19 pandemic has impacted these behaviours?
 - Sellers versus buyers market
 - Inflation/Bank of Canada rate increases
 - Addition/changes to tax credits (Increases in the first-time home buyer credit (to \$10K), home accessibility tax credit)
 - Increase in levels of investment in the real estate market

THE ROLE OF CRA AND COMMUNICATION PREFERENCES (30 MINUTES)

- How important do you think it is for the Government of Canada and CRA to track non-compliance in the real estate sector? Would you say it is very important, moderately important or not important at all? Why?
- Are you aware of anything the Government of Canada or CRA are doing to address non-compliance?
- **GROUPS 1-4** Share information on CRA's current activities: **SHOW ON SCREEN:**
 - Education/outreach
 - Letter campaigns geared towards specific audiences
 - Audits
 - Leads
- **GROUPS 5-12** CRA currently undertakes **education and outreach programs, letter campaigns (geared towards specific audiences) leads and audits** to help address non-compliance.
- Among these, which do you feel will have the most impact and why?
- Do you feel that the CRA should be doing more, about the same, or less than they are doing now to address these issues?
 - **IF MORE:** What other types of things?
- What are the best ways to share tax-related information on this subject with people like you? Probe for:
 - Through the CRA's website
 - Online – through information/links shared on other websites
 - Through tax intermediaries
 - Through real estate agents
 - Through outreach programs
 - On social media

- On news channels/outlets
- A letter mailed to you
- In magazines
- Via booths at real-estate related tradeshow (e.g., National Home Show)
- Anything else?
- Do you have any suggestions as to how the CRA can reach people undertaking non-compliant behaviours to educate and explain to them about their tax rights and obligations?

MODERATOR WILL INTRODUCE AN EXERCISE TO EXPLORE PERCEPTIONS OF FOUR KEY STATEMENTS.

- 1) **GROUPS 1-4** Non-compliance in the real estate sector negatively impacts the real estate market in Canada, including making housing affordability a challenge for Canadians.
 - 1) **GROUPS 5-12** Rising housing prices have contributed to more tax non-compliant behaviour in the real estate sector, such as money laundering and mortgage fraud. These kinds of activities have resulted in an increased volume of real estate transactions as fraudsters seek to make ‘easy money’, less inventory and an overall increase in housing prices, making affordability a challenge for Canadians.
 - 2) All Canadians, residents and non-residents are responsible for knowing their tax rights and obligations relating to the real estate sector.
 - 3) As a Canadian resident, you are required to report your world-wide income which includes any gains on the sale of real estate in another country.
 - 4) **GROUPS 1-4** Effective 2016, on the sale of a residential property you have to designate the property as your principal residence when you file your year-end tax return.
 - 4) **GROUPS 5-12** Starting in 2016, you are required to report basic information such as date of acquisition, date of sale, proceeds of disposition and a description of the property on your year-end tax return in order to qualify for the principal residence exemption (PRE). This requirement applies even if the entire gain is fully protected by the PRE, otherwise you could be subject to penalties for filing your principal residence designation late.
- Note to moderator:** the 3-year limit for when the CRA can start an audit has been removed for anyone claiming the sale of a principal residence. Now, the reassessment period will be extended indefinitely.

SHOW STATEMENTS ON SCREEN ONE AT A TIME. ROTATE ORDER IN WHICH STATEMENTS ARE SHOWN FOR EACH GROUP. ASK FOR EACH:

- **GROUPS 1-4** What do you like about this message? What works best?
- **GROUPS 1-4** Is there anything you dislike? Is there anything you would add, remove, or change?
- **GROUPS 1-4** What words or phrases stand out to you?
- **GROUPS 1-4** What, if anything, is missing from this message in terms of what you would have wanted to know?
- **GROUPS 1-4** If CRA could only promote two of these messages, which ones should it focus on? Why? **RUN POLL SHOWING ALL KEY MESSAGES PROVIDED ABOVE.**
 - What would be most likely to motivate someone to seek more information?
 - Which would be more likely to catch people’s attention?
- **GROUPS 5-12** What do you think about this statement/idea?
 - Is there anything you like/dislike?
- **GROUPS 5-12** What do you think is the message it is trying to convey? Explain.
 - Is it clear/easy to understand? **IF NO:** What specifically is not clear?
 - What, if anything, is missing from this statement in terms of what you would have wanted to know?
- **GROUPS 5-12** AFTER STATEMENTS 2, 3, AND 4, ASK: Do you think people know this already?

- **GROUPS 5-12** Thinking about all four of the statements, which do you feel are the two statements that are the most important for CRA to share with Canadians? Why? **RUN POLL SHOWING ALL KEY MESSAGES PROVIDED ABOVE.**
 - Which of these statements resonate with you most?

CONCLUSION AND WRAP-UP (5 MINUTES)

- Do you have any additional comments that you'd like to share with CRA in terms of what we discussed today?

Thank you for your time today and for sharing your opinions. Your feedback has been very helpful.

- Provide instructions for receipt of incentive
- Share information on obtaining access to the report through Library and Archives Canada, once it is finalized

C. Interview Guide – Professionals Working in the Real Estate Sector

INTRODUCTION (5 MINUTES)

- Welcome – interviewer to introduce themselves, that they work for a professional market research firm called The Strategic Counsel, thank interviewee for agreeing to participate
- Explain topic: interested in your views on the Canadian tax system, specifically as it applies to real estate transactions, and in understanding you/your clients experiences regarding tax advice, filing and interacting with CRA when it comes to these transactions
- Guidance for discussion:
 - 45 minutes in length
 - Recording of discussion – will allow us to review our conversation as we are writing our report
 - Confidentiality of results and interviewee contact information – report being produced is a summary of findings across all interviews being undertaken/no attribution of comments to individuals
 - Voluntary nature of participation
- Explain role of interviewee:
 - Offer views, based on your opinions, experience, understanding of the issues - be as open and frank as you feel comfortable, no right or wrong answers
- Explain role of interviewer:
 - Cover a series of topics/questions
 - Interviewer has no specific expertise in real estate/tax policy and does not work for CRA or the Government of Canada
- Participant introductions:
 - I'd like to get to know a bit more about you.
 - Can you tell me a bit more about your role... your title, role/ responsibilities as a professional working in / with the real estate sector, and how long have you been working in / with the real estate sector/field?
 - Do you work independently, or as part of a small or large firm?

TAX FILING FOR REAL ESTATE TRANSACTIONS (5 MINUTES)

- To begin the discussion, I'd like to get a sense of what types of real-estate transactions you have been involved in with clients in recent years? Have you been... **READ LIST.**
IF TAX INTERMEDIARY: In the capacity of a tax intermediary, have you directly or indirectly worked with a client (e.g., individual/sole proprietor, partnership, corporation) involved in any of the following: **READ LIST.**
 - Directly involved in the business (or planning) of developing, building and/or trading of residential properties
 - Engaged as a contractor (trade, architect, etc.) in the of developing, building and/or trading of residential properties
 - Involved in the renovating of residential properties with the intention of buying and then reselling quickly
 - Involved in the role of (either directly, or indirectly via another company) operating a short-term rental (such as Airbnb) as an operator or employee
 - Involved in leasing a residential property that you own, giving the right to the lease to rent the property on a short-term basis
 - Involved in the property management of rental properties
 - Involved in residential property transactions as a broker or salesperson earning commission
 - Individuals or businesses who undertake designing, building, flipping, or property management rentals of residential properties
 - Involved in real-estate transactions being undertaken by non-resident Canadians or foreign investors?

- Can you describe for me your role in these transactions? Can you provide any examples?

- How much do your clients rely on you for assistance when it comes to advice or assistance with regards to tax planning for real estate transactions? A lot, a little, not at all?
 - **IF RELY ON:**
 - What specific advice or assistance do your clients rely on you for in terms of tax filing? Can you provide some examples?
 - What types of questions do you get asked by clients?
 - Do you proactively provide information to your clients on their tax rights/obligations with regards types of real estate transactions? Why/why not?
 - What type of advice do you provide?
 - At what point in the process do they engage you for this advice... is it typically prior to carrying out a transaction or after a transaction has been carried out?
 - **IF TAX INTERMEDIARY:** How often do you interact with your clients on these types of transactions— only during tax season, prior to/after making the transaction, whenever they have questions or concerns, etc.?
 - **IF DO NOT RELY ON:**
 - Do you know from whom they seek advice from for this type of information? Probe for: accountants, bookkeepers, another financial/tax expert (specify), lawyers, notaries
 - **IF TAX INTERMEDIARY:** Probe for: another financial/tax expert (specify), real estate agent, lawyers

- Do you think that most Canadians are aware of their tax obligations with respect to real estate transactions?

- How aware or well informed do you feel you are about the tax implications related to various types of real estate transactions?
 - Are there any specific transactions or areas you feel are difficult to understand, unclear, etc.? What are they?

NON-COMPLIANT BEHAVIOUR RELATED TO REAL ESTATE TRANSACTIONS (15 MINUTES)

SHOW ON SCREEN: The real estate landscape has become more complex over recent years and CRA wants to ensure that taxpayers involved in real estate transactions are informed about their tax rights and obligations. By filing their tax returns correctly, taxpayers would be better positioned to not miss out on eligible deductions, tax credits or rebates nor would they pay unnecessary penalties or interest charges. However, recent trends in the market could lead to situations in which real estate transactions may be underreported or unreported by taxpayers. The CRA refers to these as *non-compliance or non-compliant behavior*.

- What types of activities (related to real-estate transactions), do you think would fall into non-compliance? What do you think is occurring or have you heard of happening? Can you provide me some examples? Probe for: not filing (reporting), filing inaccurately (in what ways?), other things?
 - How often do you think this happens (very frequently, somewhat frequently, not frequently)?
 - Do you believe this is intentional or unintentional? **IF INTENTIONAL:** What do you think are the motivators for those who are doing so intentionally?
 - Do you think this practice is more common among certain groups of people?
- And, what about fraudulent activity in the real estate sector that could be occurring? Probe for: foreclosure fraud, title fraud, mortgage fraud
 - Is this something you are hearing about? Is anyone talking about this in your professional associations, etc.?
 - What types of scams or fraudulent activity is most common in the real estate sector?
 - Who is perpetrating these scams?

INTERVIEWER TO CLARIFY AS NECESSARY:

- Foreclosure fraud usually happens when the homeowner is having trouble making their mortgage payments. They may be tricked into transferring their property title to somebody to get a loan to help make payments. Fraudsters keep the payments and also possess title, which they can resell or remortgage.
- Title fraud involves identity theft whereby fraudsters make fake identification, after gathering personal data on the victim, forging documents such as titles to properties. If notaries don't ask for the originals, scammers claiming to be the owners can remortgage the property. If the property is mortgage-free, they can walk away with up to 80% of its value. Some fraudsters assume total title, impersonate the homeowner and sell the houses to unsuspecting buyers, then disappear with the profits. Virtual real estate transactions have made this more commonplace, especially with vacant investment properties where the homeowner is away for an extended period.
- Mortgage fraud usually occurs between the bank and the notary, by way of the broker. Just like some buyers are tempted to lie on their mortgage applications, brokers sometimes forge documents to get loans approved. For example, an income of \$57K might be reported as \$75K, or credit scores might be altered by employees. These kinds of activities mean that some applications are approved with false information when they should not have been.
- Do you have any feedback or suggestions that could assist the CRA to help address this non-compliance in real estate?
- **SHOW ON SCREEN:** CRA uses a combination of activities to detect and address tax non-compliance by taxpayers in all sectors, including real estate. Through this, CRA has identified some key areas of concern regarding non-compliance in the real estate sector. These include activities such as miscalculations in tax reporting related to:
 - Business income versus capital gains on the sale of a property
 - Profits from the 'flipping' of real-estate properties

- Shadow flipping/assignment sales (which involves selling a property before it's built or put on the open market)
- Collection of GST/HST on the sale of a new or substantially renovated home
- Claiming GST/HST rebates when buying/building a new home
- Now that we have seen some of the potential issues, I am going to show you a list of factors or drivers that could influence individuals to participate in such activities. **SHOW ON SCREEN:**
 - Price increases in the market value of homes
 - Record profits in the sale of properties
 - An overall increase in the number of real estate transactions occurring
 - Affordability/inflation
 - Lack of awareness or knowledge about their tax obligations related to these transactions
 - Which do you feel are the main factors or drivers influencing people to participate in these activities? **INTERVIEWER TO ALLOW INTERVIEWEE TO SELECT UP TO 3.**
- Why did you make this selection? Explain.
- Do you keep yourself updated on the current real estate market trends/information?
 - IF YES: What types of information? Where do you get this information?
- Are there specific trends or forces in the real estate market that you feel may have impacted peoples ability to correctly file real-estate transactions in the last 5 years? Probe for:
 - Fluctuations in the real estate market – activity/prices peaking in the COVID-19 pandemic
 - In what ways do you think the COVID-19 pandemic has impacted these behaviours?
 - Sellers versus buyers market
 - Inflation/Bank of Canada rate increases
 - Addition/changes to tax credits (Increases in the first-time home buyer credit (to \$10K), home accessibility tax credit)
 - Increase in levels of investment in the real estate market

THE ROLE OF CRA AND COMMUNICATION PREFERENCES (10 MINUTES)

- How important do you think it is for the Government of Canada and CRA to track non-compliance in the real estate sector? Would you say it is very important, moderately important or not important at all? Why?
- Are you aware of anything the Government of Canada or CRA are doing to address non-compliance?
- **READ** CRA currently undertakes **education and outreach programs, letter campaigns (geared towards specific audiences) leads and audits** to help address non-compliance.
 - Among these, which do you feel will have the most impact and why?
- Do you feel that the CRA should be doing more, about the same, or less than they are doing now to address these issues?
 - **IF MORE:** What other types of things?
- What are the best ways to share tax-related information on this subject with professionals working in / with the real estate sector/industry like yourself to help inform your clients about their tax rights/obligations? Probe for:
 - Through the CRA's website
 - Online – through information/links shared on other websites
 - CRA outreach programs
 - Presentations to professional/industry associations – What associations do you belong to? Are you already receiving information about this issue from a professional or industry association?
 - Optional learning as part of your continuing professional education about the tax compliance requirements in relation to your specific sector/industry
 - Webinars aimed at your profession

- Booths at tradeshow aimed at your profession
 - Newsletters or pamphlets mailed to you
 - Anything else? Is there another channel/option that you can think of?
- Do you have any suggestions as to how the CRA can reach people undertaking non-compliant behaviours in this sector to educate and explain to them about their tax rights and obligations?

CONCLUSION AND WRAP-UP (5 MINUTES)

- Do you have any additional comments that you'd like to share with CRA in terms of what we discussed today?

Thank you for your time today and for sharing your opinions. Your feedback has been very helpful.

- Provide instructions for receipt of incentive
- Share information on obtaining access to the report through Library and Archives Canada, once it is finalized

D. Polling Exercise – Results

Poll 1 – Drivers/Factors

Option	Total
Price increases in the market value of homes	53
Record profits in the sale of properties	48
An overall increase in the number of real estate transactions occurring	16
Affordability/inflation	46
Lack of awareness or knowledge about their tax obligations related to these transactions	46
Other	9

Poll 2 – Key Messages

Option	Total
Statement 1	
Non-compliance in the real estate sector negatively impacts the real estate market in Canada, including making housing affordability a challenge for Canadians.	7
*Rising housing prices have contributed to more tax non-compliant behaviour in the real estate sector, such as money laundering and mortgage fraud.	19
Statement 2	
All Canadians, residents and non-residents are responsible for knowing their tax rights and obligations relating to the real estate sector.	52
Statement 3	
As a Canadian resident, you are required to report your world-wide income which includes any gains on the sale of real estate in another country.	32
Statement 4	
Effective 2016, on the sale of a residential property you have to designate the property as your principal residence when you file your year-end tax return.	10
*Starting in 2016, you are required to report basic information on your year-end tax return in order to qualify for the principal residence exemption (PRE).	25
None of the above	1